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CURRENCY:

CONSIDERED WITH SPECIAL REFERENCE TO THE FALL IN THE VALUE OF SILVER, AND CONSEQUENCES TO INDIA.

BY

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EDINBURGH AND LONDON
MDCCCLXXVII

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CURRENCY:

CONSIDERED WITH SPECIAL REFERENCE TO THE FALL IN THE VALUE OF SILVER, AND CONSEQUENCES TO INDIA.

Currency is the medium which stands between values to be sold and values to be bought. Suppose the medium to vanish for a moment; there will remain the one set of values to be exchanged against the other set. It would obviously be as inconvenient to have no common expression of value as it would be to have no common measure of quantity. At the same time it would be desirable, were it practicable, that the medium should have no value of its own—that it should exist solely as the reflector of the values on either side of it. Fluctuations would then be confined to those values themselves: something might occur to change the value of the article to be sold—or, again, something to alter the value of the article to be bought; at most there could be only two sources of disturbance, and there might be only one. When the medium itself possesses a value, liable, like the other two values, to fluctuate, though not perhaps so frequently, a third disturbing element is introduced. Not only may the value of the article to be sold then alter in relation to that of the article to be bought, but the medium through which the sale and purchase are effected may alter in relation to both, and the values on either side will not at once adjust themselves to the altered value of the medium between them.

They will do so in time, but it may take a long time. Until the adjustment takes place, the article to be bought may cost a larger amount of medium, while the article to be sold may fetch no more than before; or it may happen the other way. A shifting medium must therefore cause great derangement, because it alters the measure or expression of all the other values ranged against each other on opposite sides.

But this is not the only disadvantage of having a medium which possesses value: the medium costs something to obtain. We must give up a certain proportion of our other values in order to purchase medium; and this medium, once obtained, requires to be replenished from time to time, causing a continuous drain upon our means. Did we possess a medium which had no value of its own, an immense saving of capital would be secured, and there would be one cause of disturbance the less. The modern world has advanced a certain length—Great Britain, a considerable length—towards this consummation. In England and Scotland a great saving of capital has resulted from the use of paper—and an additional saving might be effected were England to adopt the plan, long in operation in Scotland, of issuing £1 notes—but the cause of disturbance has not been removed in either country: the paper takes its value from the "hard money" which it represents, and fluctuates with it. On referring to the published returns of the English Clearing House, we find that the average weekly turn-over of capital there is about £100,000,000, and the aggregate for the year £5000,000,000 to £6000,000,000; yet the movement of this vast sum has not required the use of a single coin—it has been essentially an exchange of values. Not even notes have been employed: as notes superseded coin, so cheques and accounts are superseding notes. The circulation of notes may not be less than of old, but it bears a far smaller proportion than it once did to the whole business transacted. The expansion of credit has rendered this economy possible. Coin forms but a comparatively small proportion of the currency of the United Kingdom; cheques, bills, notes, and accounts constitute the principal part. When we consider the mass of business transacted in mercantile and financial circles in London, Liverpool, Manchester, and

Glasgow—by all traders in all towns—through the means of those four forms of paper medium, does it not seem a little inconsistent and a little hard that the whole of those transactions —the values sold and the values bought—should be liable to disturbance at any time through the cheapness or dearness, the plenitude or scarcity, of another medium—a metal—which has performed no service in carrying them out? It is difficult, however, to see how the inconsistency is to be got rid of. Various schemes have been propounded with this object at various times, the favourite idea being to issue paper against all other kinds of property and commodities, as well as against gold or silver. But who is to do this? How are the issues to be restricted? Is each owner of property to be allowed to issue his own notes; or is Government to issue the notes, or confer the power of drawing on it upon the owner, Government receiving the property in pawn, or a complete assignment of it? There seem to be two disadvantages attending such a course. In the first place, assuming that the currency is convertible—which it must needs be if it is not to be an inflated currency, a mere paper wind-bag, liable to collapse in every season of pressure—notes convertible into a promiscuous assortment of property would be, to say the least, excessively inconvenient. In the next place, a currency of this description would be more liable to variations in value than one based on gold alone, or even on silver alone. In addition to the changes caused by ordinary market fluctuations in the values of the properties and commodities which the paper represented, there would be the danger of those properties and commodities suffering deterioration. This scheme, it is much to be feared, would not work, even were convertibility of the note to form an essential condition of it.

We cannot get on without a circulating medium of some sort: it would almost seem that we cannot manage to conduct our affairs without a medium endued with a specific value of its own. We might, indeed, assume the existence of an imaginary unit of value, and denominate it a pound, or call it by any other name; but if it so happened that any one wished at any time to buy a book or a piece of land, or any other bit of pro-

perty he must pay an equivalent in value to the owner. Mere imaginary units would not suffice for the purpose. He must convey to the seller a portion of his own property, or a negotiable claim to some of it, or a claim which he may have acquired to the property of some one else. And those claims, to be of any use to the purchaser of them, must assume some tangible form and be recognised as representing value. The form matters little, so long as it is convenient—and it might also be artistic. The value is of more consequence. Uniformity of design would best be secured by letting Government supply the form of medium; but how is Government to ascertain and decide the exact quantity of medium required? The quantity must not exceed the total sum of the exchange of values to be effected through it. When things are left to themselves, the quantity of currency adapts itself to the demands upon it, through various agencies, in obedience to natural laws. To tell when the quantity must be increased or when curtailed would baffle the perspicacity of the most keen-sighted Government, unless some Government chose to try the experiment of becoming the sole depository of all the values offered in exchange for counters; and here the Government which did so would be met by the old difficulties adherent to a circulating medium based on a variety of articles of differing values. Then, how about the balances of international indebtedness? How are they to be adjusted? By bullion? Is the use of the precious metals to be confined to this purpose alone? In that case they would, it is to be feared, lose much of their claim to be considered precious; and would become a very bulky medium of foreign exchange. Not being in use as internal currency, they would only be imported for manufacture. By Government promises to pay? The promises themselves would have to be redeemed at some time or other; and, unfortunately for this plan also, were it feasible in other respects, only a few Governments could be admitted to an international clearing. A good many Governments are in very bad credit, as well as a good many individuals. The world has a weary way to plod along ere it arrives at that stage on the road of progress, where not only shall every man's word be as good as his bond, but the bond be as good as that which it

represents, and where the credit and honour of every nation shall stand no less high than shall those of each individual. Until that time comes, we must make the best of what we have. Being unable to change wholly the conditions which surround us, all we can do is to adapt ourselves to them, and, as far as may be possible, mould them to our needs. Some things come so nearly within reach, as to hold out some encouragement to us to strive after them. An international unit of weight, an international unit of measurement (length, breadth, or capacity), and an international unit of value, are three things which are not unattainable. A perfect system of currency is, at present, unattainable. The ideal of a perfect medium of exchange is a medium which shall interpose no value of its own between the values to be exchanged, but shall be only the reflector of those values, or, to use perhaps a more appropriate metaphor, a value conductor. To experts remarks such as these may seem superfluous: to the uninitiated they may resemble the unreal imaginings of a dream, if they do not savour slightly of dishonesty. To deprive the circulating medium—the sovereign, the franc, or the rupee—of its intrinsic value, will appear to many as something very nearly akin to a scheme for robbery. And to speculate on the possibility of a better state of things with regard to currency is not enough: it is necessary also to show by what practical means that better state may be arrived at before we dare disturb existing arrangements.

After all, there are two views to be taken of our present condition. The employment of a costly medium, such as gold or silver, may be regarded as a great waste of capital, or—and this second is a very different view—we may congratulate ourselves on the saving of capital already effected through the use of paper and credit in substitution for coin. Currency is one of many things required to carry on the business of society, and a certain amount of capital is invested in it as in other things. It is as indispensable an agent in the exchange of goods and other property as knives and forks are in the manipulation of food. We might dispense with the use of knives and forks, and effect a saving by so doing; but it is unlikely that we shall return to ancient habits in this respect: and it is

equally improbable that we shall revert, in trade, to a system of barter, without the intervention of any medium whatever. Nor does there appear to be any immediate prospect of discovering a medium which shall be only a reflector of the values of other things, and which shall not distort other values by obtruding a value of its own between them. The question to be decided, therefore, does not seem to be so much whether we shall or shall not do without gold or silver, but which of the two—if not both—we shall adopt as the measure or standard of other values.

What are their respective merits? Keeping in view that each has an intrinsic value, besides being the representative of other values, gold is the more convenient form of medium for the exchange of large values—because it is intrinsically worth more, bulk for bulk, than silver. A larger amount of values can, as it were, be focussed in a given quantity of gold than in an equal quantity of the other metal. In international trade, accordingly, and in wholesale transactions of any sort, gold is the superior medium. It will also prove the more suitable medium for a large proportion of the retail transactions in a rich country which has many wants. A greater amount of values may be concentrated in a gold unit—in the sovereign, for instance—than in a silver unit of equal bulk; and a fractional currency which takes its value from a gold unit, must also be better adapted to large combinations of values than one which derives its value from a silver unit. The gold unit is, consequently, best adapted to the circumstances of England; the silver unit to the circumstances of India. The aggregate money-value of the external trade of England — imports and exports — is about £700,000,000. Of the magnitude of the internal trade of England, both wholesale and retail, it is impossible to form even a vague notion. The aggregate of the external trade of India is only £100,000,000. The aggregate of the internal trade of India, could we ascertain it, might at first sight appear large, but, divided by the area over which it is scattered, or by the population amongst whom it is divided, the amount would seem astonishingly small for a country of such dimensions as India. The majority of the internal transactions of India are, singly,

of very limited amount. There are, of course, some large transactions also; in them, and in foreign commerce, a gold counter would be of great service, at the same time that it would render more easy the adjustment of transactions with England. There can be no doubt that trade between India and England is hampered by the varying character of the relations between silver and gold. From this have proceeded the recent fluctuations in exchange, rather than from any alteration in the state of trade. Exchange has influenced trade instead of being influenced by it, as usually happens; and the influence has been bad. The foreign exchanges are never, under any circumstances, altogether stable; but in ordinary times a merchant can reckon pretty closely what allowance should be made in his calculations for a rise or fall. Recently, the fluctuations have been extreme: neither importer nor exporter has been able to make sure that his estimated profits would not be swept away, and his operations end in loss. If India had a gold standard of value, we should, besides the convenience and economy of using the less bulky metal in foreign trade, get rid of this uncertainty—an uncertainty by which trade has been somewhat seriously embarrassed. In inland transactions, also, of large amount, as before stated, convenience and economy both recommend the use of gold; but in the transactions of retail trade, for the payment of wages, and for the everyday expenditure of the poorer classes who form the large majority of the Indian population, the silver unit is the more appropriate. When I say the silver unit, I refer to that proportion of all values which is now represented by the silver rupee. Should silver fall much more, the quantity of it contained in a rupee will be of too little value even for small transactions; but while it retains its present value, or the value which it had until very lately, it is the best measure for such transactions. The proportion of values represented by an English pound would be too large for Indian use. The pound is subdivided into 20 shillings and 240 pence. The lowest subdivision is the farthing, of which the pound contains 960. A rupee is, roughly speaking, but the tenth part of a pound, yet the rupee resolves itself into 5120 subordinate parts. The ordinary subdivisions of the rupee are: R.1 = 16 annas; 1 anna = 12

pies; but cowries (shells) have not ceased to form part of the currency of India. They circulate largely amongst the poorer classes of the Presidency towns, and still more generally in the towns and rural districts of the interior. The pie is not a favourite coin; cowries and pice are preferred. A pice contains three pies or 80 cowries; and as there are 4 pice in an anna, and 16 annas in a rupee, the number of cowries in a rupee is 5120. On the old basis of ten rupees to an English pound, this would make a cowrie the 51,200th part of a pound. Obviously, the English unit is too large for Indian use. The rupee is the proper integer of value for India; but if silver depreciates much farther, the rupee coin will fail to represent the proportion of values which it now denotes. It will become too cumbrous to serve as the principal or standard currency. If, for instance, it lost value permanently by one-half, double the number of rupees now required would in future be needed to represent a given quantity of other values. The lowest fractional subdivision of the rupee would be only the 10,240th part of the value of the present coin, and the 102,400th part of a pound. A divergence of such extent between English currency and Indian currency would be highly inconvenient to the foreign trade of India; and the rupee, with its subdivisions, would become exceedingly bulky and expensive for domestic transactions also. The loss to the country in both ways would be great; but, again, the loss to be incurred in changing the currency might be greater. May the loss, either way, be averted?

If our object be to retain the rupee as the integer of value, and if the silver contained in the rupee is to lose its present value, one means of escape from the difficulty and loss which threaten us would be found in the introduction, as the Indian standard of value, were that change practicable, of another coin of superior intrinsic worth, from which the value of the rupee should be derived and be maintained at its present level. But an entire change of standard from silver to gold would land us in another difficulty—in another and serious loss. Before, therefore, considering the practicability and consequences of such a change, it is desirable we should endeavour to satisfy ourselves as to the present position of silver, and calculate, as closely as

the information at our disposal will permit, the chances for and against a further depreciation of that metal, or of a recovery from the fall which has already taken place.

What, then, is the present position of silver? The best way to ascertain this will be to compare it with gold, with which it is most immediately brought into contact. Has silver depreciated in relation to gold, or has gold appreciated in relation to silver? There are many considerations which enter into this question. The present low prices of commodities in England would seem to point to a rise in the value of gold; but against this view there is to be taken into account, as between gold and other commodities, a largely increased supply of all the products of nature, and man's skill, which go to satisfy the wants of civilised life. Production has been stimulated by scientific invention, and by the development of the resources of new countries. Notwithstanding an increase of population; notwithstanding also the fact that each new generation is born into a more forward state of enlightenment—or what the majority is pleased to regard as enlightenment—than the preceding one, and develops a growing perception of new wants and fresh desires, which it must gratify,—production seems, for a time, to have outrun the requirements of mankind. But would not this increase of production imply an increased demand for gold? It would do so were the articles produced to circulate and be consumed; but, instead of that, they are produced only to stagnate. There is this also to be considered, with reference to the present condition of things in England: the country has not yet recovered from the depression created by the heavy losses recently sustained on loans made to defaulting foreign States. Those losses have operated in two ways: they have reduced the means of individuals; and they have, by stopping the credit of the defaulting States, affected various branches of trade to which those States gave support. It may be said that what the manufacturers gained, other members of the English community have since lost; and that, on the whole, England has rather lost than gained. This is no doubt true; but the prosperity was real while it lasted, and exercised a real effect on prices. Another cause of the present depression is to be found in the contraction of mercan-

tile credit. The abuse of credit and overtrading of recent years have resulted in a natural reaction from extreme recklessness to excessive caution. Some of the causes described are secondary only, some primary: the great leading fact is increased production. Taking all the influences together, they sufficiently account for the present low level of prices. The weight of evidence is therefore seemingly against a rise having taken place in the value of gold in comparison with other commodities. When commerce shall have resumed its wonted activity, and national and individual credit become rehabilitated, the value of gold may advance, provided the production has not increased, although some other considerations, to be afterwards noticed, might lead to an opposite conclusion. If Germany succeed in her effort to change her standard currency from silver to gold, and if other nations follow her example, a rise in the value of gold, accompanied by a corresponding fall in the prices of other commodities—or a continuation of the present depression from a cause entirely distinct from those influences which have just been noticed—seems probable. No rise has, however, taken place yet.

If gold has not appreciated in value, silver has depreciated; for an ounce of silver can now be bought for four shillings in gold, whereas it used to be worth a great deal more. From 1835 to 1855 the price of silver was never under fifty-nine pence, and it frequently stood over sixty pence. From 1855 to 1865 the price ruled still higher (sixty-one to sixty-two pence) in the first portion of that period, owing to the gold discoveries in America and Australia; and, in the latter portion, in consequence of the transmission of large sums of silver to the East to meet the requirements of the Indian Government and of Eastern trade. From 1866 till towards the end of 1872, notwithstanding a diminution of the demand for the East, the price of silver did not fall much, but continued to fluctuate between sixty and sixty-one pence. The decline between 1872 and the present time has been marked, but few seem to agree as to its actual cause or causes, or as to the relative importance of each. That the action of Germany is the immediate cause of the depression is patent to all. But had Germany no reason for the step which she determined upon?

The more remote cause, now disclosing itself—excessive production—must have been foreseen by her; but is it not possible also that Germany may have exaggerated the impending danger? On the question of the extent of the production of silver, the evidence collected by the Commission of Inquiry, now sitting in England, should throw some light. We may expect to receive soon the Commission's Report. The fragments of information which have reached India regarding the results of the inquiry are exceedingly vague and unsatisfactory. So far as can be gleaned from them, and from other sources, it appears that the annual production of silver has nearly doubled within the last twenty years—that is, it has risen from about eight or nine millions sterling to sixteen millions; but it does not follow that the increase has done more than keep pace with the expansion of the commerce and population of silver-using countries. I am unable to give statistics of the rate of progress of trade in all the countries employing a silver currency for the whole period of twenty years; but such information as I have succeeded in obtaining serves to show that, in some of them, some considerable progress has been made. External trade movements furnish a fair index of internal currency requirements.

India: Total outward and inward trade—
In 1854-55 (excluding treasure), . £29,640,000.
In 1874-75 (excluding treasure), . £90,957,000.
The interportal trade in the latter year aggregated nearly 45 millions more.
Population in 1855, . . . (?)
Population in 1875, . . . 250,000,000.

France: Total outward and inward trade—
In 1855, ... £126,000,000.
In 1874, ... £303,830,000.
(Inconvertible paper currency.)
Population in 1872, ... 36,102,000.

Germany: Total outward and inward trade.
(Impossible to make comparison without ascertaining former separate trade of States now constituting German Empire.)
Present population, ... 41,000,000.

Austria and Hungary: Total outward and inward trade—
In 1865, ... (?)
In 1874, ... £152,636,000.
(Inconvertible paper currency.)
Population, ... 36,000,000.

Russia.

(Statistics unreliable. Russia has an inconvertible paper currency which circulates at a discount of 10 to 20 per cent as compared with silver.)

Italy: Total outward and inward trade—

In 1868, ...	£53,922,000.
In 1874, ...	£110,016,000.

(Inconvertible paper currency. *Gold* at premium of 112 to 118 per cent.)

Population, ...	27,000,000.

United States: Total outward and inward trade (merchandise only)—

In 1855, ...	£99,316,000.
In 1874-75, ...	£239,395,000.
Population in 1850, . . .	23,191,000.
Population in 1870, . . .	38,558,000.

China: Value of outward and inward trade with Great Britain only—

In 1865, ...	£14,281,000.
In 1874, ...	£15,897,000.

Showing very little increase since 1865, but the increase since 1855 is doubtless greater. There is no national coin in China. Mexican dollars are largely used, and gold and silver circulate in various forms at their value as bullion.

Until recently the metallic standard of most European Continental nations, and of the United States of America, consisted partly of silver and partly of gold. France and the United States are now working their way back to a resumption of specie payments, which the misadventure of war caused them to suspend. Germany has abjured silver and taken to gold; but in spite of her defection, a wide field remains open for the employment of silver as currency, and that notwithstanding the extended use of credit in all its forms in modern trade. The consequences of the action taken by Germany are, unhappily, not restricted to herself. She has alarmed other States. The countries of the Latin convention have closed their mints against her demonetised silver, and it is forced on the London market and on the markets of the East. Those countries which require silver, such as India and the United States, hesitate to buy, not knowing how far the price may yet fall. Really, when we consider the position fully, and if credence be given to the reported limitless out-turn of the Californian mines, the wonder is, not that silver has fallen so far as it has done, but that it has not

fallen further. Were France and America to return to specie payments in silver as well as in gold, there are some grounds for believing that their* requirements, coupled with those of India and other parts of the East, would absorb the present supply. It is not a little remarkable that although so loud a cry has been raised about the greatly increased production of the American mines, the supplies of silver placed on the London market, excluding the silver offered by Germany, have at no time been very overwhelming. Nor have the shipments from San Francisco to China, so far as we know, been of unprecedented size. What has become of the excess production? None of it has come to India. Inquiries have certainly been made here as to the terms on which returns could be secured for direct shipments to Calcutta from San Francisco, but no shipments have as yet actually been sent. The returns expected were far beyond anything that could be obtained. Has the whole surplus been taken off by the United States Government in order to substitute, as its token currency, silver for paper? This step of the American Government was announced only a few months ago; and as the great increase of production is reported to have been going on for one or two years at least, somewhat larger supplies might have been expected to find their way to foreign markets than have appeared there. On the other hand, it cannot be denied, it is within the bounds of possibility that the increase of production may be of so prodigious a character as to swamp all the silver-using countries of Asia, America, and Europe—to depress silver, if not to the value of copper, yet far beneath the lowest limit which it has thus far attained. Nothing can, in that event, save the rupee. We shall have to find some other standard; and other countries, as well as India, will be forced to adopt a new measure of value, costly as the change is sure to be.

The situation may briefly be defined as follows:—

If the production of silver should turn out to be so excessive as we have just supposed, France, India, and the United

* I purposely exclude the smaller countries of Europe, whose action must follow that of the larger States; and I also leave out of account those countries whose return to specie payments is too remote to be taken into consideration now.

States will be compelled to adopt gold as their standard of value.

If the production of silver should not prove so excessive as to depress the metal below the value at which it may serve as a measure of other values, India, the United States, and France might agree to adopt silver as their sole standard, or collaterally with gold.

If the production should *not* prove so excessive as of itself to render silver useless as a standard of value, but if the United States and France, notwithstanding this, determine to abandon silver and to establish a single standard consisting of gold, India will be obliged to take the same course. The rejection of silver by all the principal nations of Europe, and by America, would occasion a serious fall in its value, were there only a moderate increase of production. India, instead of being the sink of the "precious metals," as she has often been termed, would become, unless she took timely measures to protect herself, a sink of an opposite description, into which all the base refuse of other countries would be discharged.

The first thing to be done, it is pretty clear, is to come to an understanding with the United States and France; the next, to find out the actual facts about the production of silver. Is an understanding such as that suggested, possible? I am disposed to think it is, for the reason that, as before shown, should those two countries determine to have a gold currency, India must have one too. All other countries which have not a gold standard, would of necessity have to follow suit, as silver would have become too cheap even for the poorest, save perhaps for the few remaining isolated tribes which have escaped extermination, and have not been inoculated with a taste for the manners, habits, and indulgences, vicious and virtuous, of civilised life. All civilised and semi-civilised nations—all nations especially having any considerable mutual commercial intercourse—would be compelled to forsake silver and use gold. No doubt this would be an advantage rather than otherwise in international trade; but would there be sufficient gold for all? Here comes another fair subject for inquiry. If

there be enough gold, then it might be advisable to let gold become the universal standard. But opinion is divided on this point. Some authorities, indeed, maintain that the annual production of gold is increasing, but others say it is falling off. The truth lies probably between the two. Accurate or trustworthy data of the production of gold are not available; but such as have been collected indicate that for the last ten years production has been almost stationary, and that it has not been much above or much under 20 millions per annum. Assuming it to be stationary, the following propositions may be advanced:—

The production of silver increasing in an overwhelming degree, and the production of gold remaining stationary, or almost stationary, gold must be chosen as the standard of value. The result will be a general fall in prices, and a loss in substituting gold for silver; but, were silver retained, it would become altogether useless as a measure of value.

The production of silver showing a large but not overwhelming increase, and the production of gold remaining stationary, silver should be retained. The increased demands for currency, springing from the enlargement and spread of commerce, throughout old countries and new, ought to be sufficient to absorb the additional supply.

Let us now turn our attention more particularly to the present circumstances of India with regard to currency; and first of all, it is necessary, in order to obtain a thorough grasp of this part of the subject, that we should ascertain the effect on the currency of the balance of Indian trade, or of India's international indebtedness, and of the manner of its adjustment. One year may furnish an example of all, the main features of the position having remained unaltered for some years past:—

The total of the exports from India in 1874-75, excluding treasure, amounted to		£56,312,000
And the imports, also excluding treasure, to . .		34,645,000
Leaving a balance in favour of India of . . .		£21,667,000
The importation of treasure in adjustment of this balance was	£8,141,000	
Less exported	1,592,000	
Carry forward,	£6,549,000	£21,667,000

Brought forward,	£6,549,000	£21,667,000
Secretary of State's bills paid . .	11,109,000	
		17,658,000
There remained a difference of		£4,009,000

but it was in reality probably more, as, before the passing of the Tariff Act of last year, the imports were over-valued.

This difference is readily accounted for by the various other claims, besides the home charges paid by India to England, such as interest and dividends on Government stock and shares, family remittances, insurance premia, and freight. Some allowance should also be made for enfaced securities, and for the balances of the preceding and following years, but any abatement on these accounts would have to be made both ways, and would not affect the general result to any important extent. With a view to show the position with greater minuteness, I have prepared the following table of indebtedness from the Government of India trade returns:—

Balance of Trade, 1874-75.

	Merchandise. Excess exports to.	Merchandise. Excess imports from.	Treasure received (gold and silver).	Treasure paid (gold and silver).	Balance due to India.	Balance against India.
	£	£	£	£	£	£
United Kingdom, .	...	1,678,000	4,831,000	230,000	...	6,279,000
France, . . .	4,123,000	...	108,000	21,000	4,036,000	...
Mediterranean ports,	2,117,000	...	295,000	1,000	1,823,000	...
Mauritius, . .	542,000	...	196,000	95,000	441,000	...
America, . .	1,987,000	...	3,000	nil.	1,984,000	...
Persian Gulf, . .	547,000	...	337,000	100,000	310,000	...
Ceylon, . . .	1,058,000	...	429,000	937,000	1,566,000	...
Straits Settlements,	1,370,000	...	272,000	45,000	1,143,000	...
China, . . .	10,128,000	...	1,436,000	102,000	8,794,000	...
Other countries,— viz., Germany, Russia Australia, &c., . . .	1,473,000	...	234,000	61,000	1,300,000	...
	23,345,000	1,678,000	8,141,000	1,592,000	21,397,000	6,279,000
	1,678,000		1,592,000		6,279,000	
	21,667,000		6,549,000		15,118,000	
	6,549,000					
	15,118,000	Four-fifths of India's claim on China was adjusted through England.		Secretary of State's bills paid, say,		£11,109,000
				Other claims payable by India to England, . .		4,009,000
						£15,118,000

This is not the place in which to enter on an inquiry as to the nature of the equivalent received by India for the £15,000,000 worth of goods and treasure exported by her over and above what she received. Suffice it to say here that the payment is not of the nature of a tribute: value is received. Our concern now is with the influence exerted by the adjustment of the balance of foreign trade on the currency, and more particularly by that part of the balance which is adjusted by the Secretary of State's drafts. In 1874-75 those drafts aggregated, as shown, £11,109,000; and they would have amounted to a larger sum but for the fact that, in consequence of the heavy expenditure on the famine in Bengal, the drawings had to be suspended and money borrowed in England in order to relieve the Government cash balances in India. The normal amount of the Secretary of State's demands on India may now be regarded as £15,000,000, adding to which the £4,000,000 of private remittances, we obtain a sum of £19,000,000 for which India must export more than she imports. The four millions alone would not be felt as a burden, but the fifteen millions are. To transfer this sum, through a single channel, within the year, is not an easy task. Last year the attempt to do so failed; the drawings had to be stopped before the twelve months expired.

If India were paid in any other form than paper (I necessarily suppress the question of the *value* which India receives) for those fifteen millions of her exports, it is natural to suppose she would import more goods and more gold and silver—in other words, more exchangeable commodities—which would be bargained away against succeeding exports. Instead of this, not alone is importation for currency purposes reduced, but a drain is created on the Indian treasury and on the volume of currency in India. As a means of assisting us to understand the consequences of this drain internally in the country, it will be useful to note the progress of the silver imports (less exports) concurrently with the importation of Council bills, into India for some years past.

Silver imports into India (less exports), 1855-56 to 1874-75.		Received into Mint.	Council Bills drawn.
1855-56	£8,194,000	£8,640,000	
1856-57	11,073,000	11,379,000	
1857-58	12,218,000	11,758,000	
1858-59	7,728,000	6,053,000	
1859-60	11,147,000	11,426,000	
1860-61	5,328,000	4,130,000	
1861-62	9,086,000	8,887,000	£1,193,000
1862-63	12,550,000	11,357,000	6,641,000
1863-64	12,796,000	9,693,000	8,979,000
1864-65	10,078,000	9,320,000	6,789,000
1865-66	18,669,000	14,500,000	6,998,000
1866-67	7,936,000	5,814,000	5,613,000
1867-68	6,157,000	4,318,000	4,137,000
1868-69	8,601,000	5,842,000	3,705,000
1869-70	7,318,000	6,732,000	6,980,000
1870-71	941,000	1,071,000	8,443,000
1871-72	6,520,000	4,209,000	10,310,000
1872-73	715,000	1,964,000	13,939,000
1873-74	2,441,000	?	13,285,000
1874-75	4,642,000	?	10,841,000*
			* Paid in India, £11,109,000.

It will be seen that the importation of silver has been steadily declining in recent years. Had the Secretary of State's drawings not been reduced in 1873-74 and 1874-75, owing to the exceptional circumstances before referred to, the imports of silver into India in those years would have been almost *nil.* As it was, a great deal of the silver imported in 1873 and the beginning of 1874 went into the interior of Burmah to pay for rice, and into the inner parts of Behar and the other famine districts of Bengal for expenditure on relief works. Not much of it came back. This brings us more closely to the consideration of what has been going on in India. The sum of £15,000,000, not being paid for in exchangeable commodities (goods, silver, or gold), must be paid for to the exporters

(whether directly or indirectly is of little consequence) out of the currency which India herself holds. A large proportion of the currency is gathered annually from off the surface of the country, where it has been circulating into the treasury, and is thence disbursed to those who have originally financed the exports through to England, or other parts of Europe, or to China or elsewhere. If the charges paid from the Indian revenue in England were paid at home—that is, in India,—then, also, the money would be disbursed, but it would be disbursed in a different manner. It would be distributed in payment of stores purchased in India, or of dividends on stock held in India, or to defray other local expenditure. It would not serve to adjust the balance of trade; that balance would have to be paid in commodities of some kind, and the commodities would be exchanged for fresh exports. If currency happened to be falling short, material to supply currency would be brought; if there was already enough money in the country, other commodities would be imported. But does not this happen now? I do not think so; at any rate, it does not happen in a natural way. It appears to me that, by the importation of paper, the currency in India is becoming contracted and by slow degrees exhausted. An increasing amount of produce has to be moved to the coast every year, and there has been little else to move it with but the coin from the treasury which has previously been taken from the country in the form of revenue. The prices of some of the chief articles of Indian produce have fallen greatly in recent years; but the quantities—strange as this may seem—have increased in equal ratio, and the money value of all the produce exported is little less than it was when prices were far higher than they are. This implies the need of a larger amount of currency rather than a less amount, for the currency has to be distributed amongst a greater number of producers and over a wider area. Low prices in themselves are not an evil; they improve the condition of the labouring classes who are in the receipt of fixed wages, and wages have not fallen with the fall in prices; but one of the causes from which the low prices spring is an evil. There seem to be three influences at work: the scarcity of currency and increased production tend to keep prices low; the

depreciation of silver is operating to raise prices. The first two causes are in full operation now: the last is beginning to take effect. The more silver depreciates, the greater will be the amount which will be required for purposes of exchange, and the more seriously will the scarcity of the medium be felt. The contraction of the currency, also, is the more sharply experienced because it succeeds a period of extreme plethora. It was not alone the exceptional influx of silver to pay for Indian cotton, during the years of the American war, that occasioned this plethora. There were some strictly local causes besides. In 1862, the Government cash balances, which had formerly been kept locked up in the treasury in hard coin, were handed over to the Presidency banks. Simultaneously with this measure, the system of Government paper issues was inaugurated. The introduction of a Government note currency was not of so much importance as the liberation of the State balances. The Presidency banks had previously enjoyed the right of issuing notes. The transfer of the treasury balances, on the other hand, brought an absolute addition to the circulating medium and available capital of the country, and has remained so up to the present year. The banks, immediately they received the Government balances, threw out branches into the interior, and cheapened the value of money throughout the country, greatly to the advantage of everybody but themselves and the native Shroffs, whose exorbitant charges were reduced. The Shroffs, on their part, sought employment for their capital in trade. They were also obliged to bring out into use some of their hoarded stores of silver. They were no longer enabled to accumulate hidden treasure to the same extent as before by the exaction of usurious rates of interest for that part of their capital which they kept employed. The natural result from this effusion of stored capital was overtrading, and in its train came bankruptcy. Then followed a season of extreme depression and redundance of currency. While the activity in trade lasted, the currency found ample employment; after the check arrived, and the subsequent pressure had passed away, money became stagnant and a drug. The country has for some years been slowly recovering from its reverses. It appears to want more currency. The superabundant supplies of a few years ago have dwindled away; the famine expenditure gave them a severe wrench; and, to aggravate the scarcity, Government has decided to resume possession of the greater portion of the cash balances which had been intrusted to the Presidency banks. This will have the effect of contracting the circulation still further. It would be foreign to my present purpose to animadvert upon the policy which has dictated to Government the resumption of the custody of the major part of its cash balances. There may have been good political reasons, though it would be difficult to find sound economical ones, for the change. I allude to the circumstance solely with the object of showing its immediate effect on the currency. It is on a currency contracted by the foregoing causes that the Secretary of State's drafts are made, and from which three-fourths of the excess of India's exports of merchandise over her imports is liquidated. In order to realise how the volume of currency is lessened, it is only necessary to trace the career of the rupee after it leaves the mint or currency office. It first usually passes into the custody of one of the banks, thence it finds its way into the hands of the wholesale merchant or trader, by whom it is handed to the small trader or home manufacturer, from whom, in turn, it passes to the cultivator. Sometimes it is intercepted on the road, and its circulation stopped. Occasionally, though less often now than formerly, it is hoarded by the native trader—more frequently converted into ornaments. The greatest absorption is by the cultivator, and by the maker of jewellery and gold and silver wire or thread, such as that used in the *kinkob* goods of Benares and Ahmedabad. The rupee which descends low down amongst the first producers, and continues to preserve its form and character (but it often loses both), either circulates there or ascends from the cultivator to the trader in exchange for cotton cloth, metal, or earthenware, or some other commodity. With the trader it may either remain locked up or may circulate between him and other traders, or it may return to the cultivator; or it may ascend a step higher, to the bank from which it issued, to be again, after a short space, sent out into circulation—seldom to be exported.

Or the rupee may pass from the cultivator to the landlord, from the landlord to the merchant or trader, or from the landlord to Government. Or again, it may be handed over by the merchant or trader to Government in payment of duties or taxes. It will easily be understood, then, that the rupee runs a good many chances of being stopped, and of disappearing altogether from circulation, either on its downward or upward journey. Of a certain number of rupees sent forth into circulation and allowed to filtrate through the various strata of society, fewer will return to the surface after the completion of each round. But it is out of the surplus which returns that a great part of our exports is paid for; and this being realised, is it to be wondered at that a contraction of the currency ensues? Either the currency becomes contracted, or an excessively large stock of unproductive metal is maintained in India by the necessity of meeting the Secretary of State's drafts. The result is either tension and pressure, or plethora and pressure; and one is nearly as bad as the other.

Does a dearth of currency not work its own cure? High charges for money ought to attract silver, and, in a normal state of things, would do so, but the 15 millions of Council bills stand in the way. They have a tendency to cause a permanent deficiency. Unmodified by other circumstances, this deficiency will produce, periodically, high rates of interest—or, rather, will tend to keep the rates of interest high. When the rates reach a certain pitch, money will flow in, and the currency be replenished, perhaps overstocked; and, afterwards, the same process will be repeated. We have recently, in apparent contradiction of this theory, experienced high charges for money, without seeing large arrivals. More strange still, silver has become very cheap without our being flooded with supplies; but its very cheapness has helped to keep it away. It has already fallen so far that the importers, who are principally bankers, have doubted whether it might not fall yet farther; and as, at some future time, the importers might have to send their funds back to England, they have not cared about investing them in silver. There was also, for a time, considerable uncertainty as to the Secretary of State's action. He might

draw or not draw. The Secretary of State holds a different position from that of a private seller. He is more powerful, and his action affects the whole exchange market, and all commercial interests. Of no private seller can this be said. The Secretary of State has a perfect right to withhold his bills for a time if he sees fit, but his policy ought to be an open and declared policy. When he is avowedly a seller, he should be prepared to sell at current rates of exchange. As for the fear of combination against him,—there is too much competition to admit of much combination. All these things have concurred to prevent silver from coming into India in large quantity, even under the attraction of dear money; but the circumstances have been exceptional. The permanent cause of depletion is the payment of 15 millions' worth of exports out of the currency *in* India. The tendency is to promote a state of tension, broken at intervals by fluctuations between very dear and very cheap money. If the price of silver should become so much depreciated as to force us into the adoption of a gold standard of value, this payment will be found to present not the least formidable of the difficulties to be encountered. At the same time, the exhaustion of the currency, brought about through this agency, ought to facilitate the replacement of the existing medium by a new one, and would do so, were it allowed to work long enough in its present aggravated form.

I have stated that, under certain combinations and contingencies, India may be compelled to change her standard from silver to gold. The proposal to introduce gold into the currency of India is not new. The attempt has been made on two occasions previously, and on either occasion might have proved successful had gold been declared legal tender. At this point the Indian Legislature hesitated and failed. After the gold discoveries in Australia and America, gold came freely into the Indian treasuries; but the Indian Government, in place of declaring it legal tender, thereby assuring gold a place in the currency, took alarm — like a few other Governments — and issued orders prohibiting its receipt. The Indian Coinage Act (XVII.) of 1835 was based on the hypothesis of a fixed relative value between gold and silver of 1 to a fraction over 15, making

the English sovereign of 123.274 grains equal to about $10\frac{1}{4}$ rupees. That act authorised the coinage of an Indian sovereign containing 120 grains gold of standard fineness — the exact multiple of the rupee, one being equal to Rs.10. Gold pieces of 5, 15, and 30 rupees were likewise to be coined. The Currency Commission which sat in India in 1866, founded their recommendations on the same proportion of value. In neither case was it proposed to pass from a silver standard to a gold one at a single bound: the intention was to fix a price which would attract gold, leaving the more precious metal to work its way into favour by its superior economy and convenience. On the first occasion, gold would in all likelihood have displaced silver without the assistance derivable from being declared legal tender. In 1866 the case was different. Although the price of silver had for some time been very high, and the metal had the appearance of remaining both scarce and dear, gold was not over-abundant: it refused to come in quantity. It might possibly have flowed in more freely had it been declared legal tender, not in substitution of, but collaterally with, silver. Importers would have had some confidence in importing gold, and the public in receiving it, at an apparent premium; but I doubt whether even then the result would have been the establishment of gold in the currency. Nothing short of declaring it the sole standard of value would have made the achievement complete. To do this would have been a much more easy matter then than it would be now. Silver was at that time dear, it is now cheap. It might have been exchanged for gold then at a profit, or, at the worst, without much sacrifice: it can only be exchanged now at a heavy loss. But in 1866 there seemed no immediate need to discard silver entirely, and such a step was not contemplated. Circumstances have since changed. Silver has depreciated, and some apprehend that it may depreciate still more. To change the standard now would be difficult and costly. Some economists, indeed, hold the opinion that we might change the standard without changing the currency; but that is, I think, impossible. It would be like issuing an inconvertible paper currency, and declaring that the notes should pass for so much specie when there was no supply of specie to

meet them. To be worth gold, the rupees must be convertible into gold. Numerous plans have recently been set on foot by which it is sought to correct, by artificial means, the natural laws which govern the supply of the precious metals. Mr Seyd, in his essay on the fall in the value of silver, proposes the introduction of the English sovereign into India. Admitting that, if the sovereign were declared by law to be equal to Rs.10, the gold would remain in England, or, if it did come, would be melted down, sold, or exported—Mr Seyd would obviate this rather serious drawback by raising the value of the rupee. He would add an anna to each rupee; and then, to get rid of the further disadvantage of having rupees of differing values circulating together, he would recoin all the silver currency, doubling up two rupees into one, and thus obtaining a coin which would be the near equivalent of the dollar, and almost an exact subdivision of the pound. This is a very pretty scheme in theory. Apart, however, from the objection to changing the Indian unit of value, or, if that be not intended, to introducing another silver coin in place of the rupee—neither of which steps would be welcome to the people of India, although at some future time they may be prepared to join other countries in adopting an international unit of value, or an international currency; apart, also, from the Herculean labour involved in recoining 1000,000,000 to 1500,000,000 rupees,—I doubt very much whether Mr Seyd's scheme would be successful in bringing us gold. The quantity of silver in the rupee would have been increased, but the value of the silver itself, in relation to gold, would not have been affected. Silver would remain depreciated, and India would be paid for her exports in silver, not in gold. The attempt might be made to make the use of gold compulsory by declaring it sole tender; but this would lead to the displacement of a large amount of silver, and is not what Mr Seyd intends. He recognises that India cannot pass at once from a silver standard to a gold one, and reasonably asks, "Who would take 100 or 150 or 200 millions of silver from India and give up a corresponding amount of gold, either at once or in the course of time? The idea of introducing a full gold valuation at once must be given up." His aim is, in fact, and the success

of his scheme depends on, the unanimous adoption by all the nations of the world of silver as a standard of value along with gold; but if by this means the value of silver, in relation to gold, could be maintained at a fixed proportion of 1 to 15 or 15½, we might save ourselves the trouble, for some time at least, of putting more silver into our rupees. Mr Seyd avers that the proportion of 15 to 1, or thereabout, between silver and gold is the result of a natural law, could people only be prevailed upon to believe it. He says: "It may be conceded that as gold and silver are of different 'nobility' as metals, their difference in value rests, in the first place, upon a natural law, which other beings higher than men would recognise as a definite one. But besides this, the practice itself, as it has been from time immemorial, is the second natural law which affirms the first law. If under this combination or affirmation, doubts as to the firmness of the proportionate value within limited variations are still possible, the third affirmation, that of the legislative law, entirely removes them. Such a legislative law may also be called a product of the nature of human society. What its force must be I have already hinted at; if so slight a disagreement in the equilibrium as that caused by the German law has so great an effect in lowering the value of silver, it is evident that the legislative law, or universal agreement to uphold such equilibrium, must be most powerful for removing even the slightest pretence to variations."

Either this natural law has been in abeyance of late, or men's understandings have become terribly dim, for the relative values of the two metals have for some time been singularly unsteady; and we have been brought face to face with the possibility of an almost indefinite divergence between them. Without agreeing with Mr Seyd as to the immutability of the law which, by some occult means, he has succeeded in disinterring from the hidden recesses of nature, I believe the proposal which he makes for an international conference on the question of the future use of both metals, with a view to concerted action, to be a good one. I cannot, however, subscribe to his opinion that England should adopt silver as a standard of value collaterally with gold. England is not called upon to do so.

England has adhered consistently to her single gold standard since 1816, and it would be more difficult for her to adopt silver as a standard, than for any of the nations which have hitherto been accustomed to a silver standard to retain it. England also has her supply of gold secure. None of the other nations are in that position; and were India to decide on having a gold currency, her action would seriously embarrass other countries in their efforts to introduce gold. Monsieur Cernuschi has another plan for arresting the rapid decline in value of the once precious metal, silver. He maintains that all Europe cannot have a gold currency and all Asia silver; and he proposes, not a single gold standard or a double standard consisting of silver and gold, but a bi-metallic currency. He would "oppose increased production by increased demand, diminished production by diminished demand." He would let the holders of gold and silver be free to take either metal to the mint and obtain coin; and he would let it be optional to pay in gold or in silver. His plan resembles very closely that of a double standard. People would naturally pay in the metal which might at the time of payment be the cheaper. This would cause the cheaper metal to become scarce, while the other would in the meantime become more plentiful, and would be resorted to in turn. M. Cernuschi, like Mr Seyd, assumes a fixed rate of value between gold and silver, the proportion determined by M. Cernuschi being 1 to 15½. The object of both writers is to maintain the value of silver, and so preserve it as a circulating medium and standard of value. As regards this object there is much to be said in favour of their views. It would be erroneous to assert that the cheapened production of commodities in general can be other than an advantage: cheapened production admittedly means a gain to the consumer; but the case of an article in almost universal use as a standard of other values differs, I am disposed to consider, from that of any other commodity. Silver discharges an important function as currency, for which it will no longer be adapted if it becomes very cheap; and I doubt whether its more extended use in other directions would compensate for the loss of its services as a medium through whose agency capital is circulated about

the world and credit brought into effective employment. In this view, by being restricted to the use of gold only, the world may not gain but lose.

Some of M. Cernuschi's remarks regarding the progress of the demonetisation of silver in Germany should be useful in India. Since demonetisation began, silver has been constantly offered in foreign markets, and goes on falling in price. In order to carry out the change of currency gradually, the German Imperial Government decreed, on 1st January 1876, that silver thalers were to be counted as gold, each thaler to be equivalent to 3 gold marcs. The consequence is that, whilst at home the value of the thaler is not depreciated, bankers, when they have payments to make abroad, are careful not to transmit thalers; they send gold marcs, reserving their thalers for home payments. The Government buys back the gold in foreign markets, and the bankers go on exporting it. Germany judged prudently, M. Cernuschi considers, not to demonetise rapidly, while the success of slow demonetisation seems highly doubtful.

India is in a better position than Germany to effect a change of currency medium, supposing that change to be either necessary or desirable, in so far as her trade exports exceed her trade imports. But India has a much larger quantity of old medium to dispose of than Germany, and requires a much larger quantity of new medium to take its place. The whole silver currency of British India and its tributary States—and these would have to be included in any currency reform—cannot be less than £150,000,000 to £200,000,000, of which one-half, or more, would have to be sold in event of the medium being changed. In addition to the necessity of finding at once an equivalent sum in gold for, say £100,000,000, India would further have to provide for current yearly requirements. And although her trade exports exceed her trade imports, she has now to pay a sum of £15,000,000 to £20,000,000 a-year in silver abroad. I have already partially explained the nature and effect of this payment. The exporters of produce sell their produce for gold, and are paid the equivalent of the gold price in silver. They export mostly to England and to China, but a very small portion only of their returns comes from China direct: the greater

part comes from England. The exchange banks undertake the conversion of the gold into silver. To recoup themselves, the banks import a little silver bullion, and a large amount of claims on the Indian treasury payable in silver. The Government of India supplies the money to meet those claims from the revenue collected in India, which is payable in silver. Were gold declared sole legal tender in India, the banks would not buy claims payable there in silver; and as, until a sufficient supply of gold had been brought into the country, the Government could not expect to receive payment of its revenue in gold, Government would be forced to sell its revenue collections of silver and buy gold, which could only be done at a heavy loss, if it could be done at all. But it has been proposed to obviate this difficulty, and to avert this loss, by suspending for a time the sale of the Secretary of State's claims on the Indian treasury. The change from silver to gold is further to be facilitated by discontinuing the coinage of silver at the Indian mints. The adoption of these two measures, it is thought in some quarters, might even enable us to introduce the English sovereign as the equivalent of Rs.10. Well, now, let us suppose this suggestion to have been acted upon: let us suppose the English sovereign to be declared sole legal tender in India, the coinage of silver stopped, the Secretary of State's drawings also suspended, and, what is another part of the proposal to which I allude, the consequent accumulation of silver in the Indian treasury to be utilised for the repayment of part of the Government silver debt;—what would be the consequence? In the first place, all existing debts and engagements would be upset. That is a small matter. Contracts have already been upset in one direction, and there can be no great harm in reversing the operation and restoring them to their old footing. Very likely not; but rating the sovereign as the equivalent of Rs.10 does more than restore contracts to their old basis. It raises them beyond that basis; and while the value of the creditors' assets has diminished, the value of the debtors' assets has not in all cases increased in a like degree. The private creditor is, as a rule, in a stronger position and more able to bear a loss than the private debtor; and a sudden addition to the money-value of

the liabilities of debtors, when their assets have not increased in an equal ratio in money-value, would probably render three-fourths of them bankrupt. Such a distinction seems, I admit, a dubious one to draw between debtor and creditor; but it will, I believe, be found on reflection to be a correct one. The distinction does not apply as between the State regarded as a debtor and individual creditors of the State. There the positions are exactly reversed: the State as debtor, representing the combined resources of the country, is stronger than the individual creditor. The same may be said of the State and corporations, or associations of men, who are creditors of the State. As between those bodies themselves, and taking them all round, they would probably not be much affected one way or the other by a revaluation of the currency. In India there is not much inter-indebtedness between corporations. As between a corporation and individuals, the former would be the more able to bear a loss, because the loss would be more widely dispersed, and would fall more lightly on each member of the corporation. In the case of the debts of the State, any augmentation of their value would be distributed over the whole population. We have thus to consider the position of the private debtor as opposed to that of his creditor, and the position of the public creditor as opposed to that of the State. A sudden enhancement of the value of the debts of the former by 20 or 25 per cent—for the rise would be intensified and heightened by the new demand for gold—would involve much hardship, and possibly ruin; while, on the other hand, an addition to the public debt for the benefit of the stockholder would be borne by the country. These arguments may appear to favour the spoliation of the provident for the relief of the improvident; but our object now is to form an estimate of the consequences, rather than to pass judgment on the justice, of the plan suggested for the introduction of gold. It is not to be inferred that those who are well off are to be mulcted to fill the pockets of the needy. There ought to be an equitable adjustment of the claims between debtors and creditors. To the principles on which such an adjustment should be based, I shall endeavour to refer more at length presently; and would only observe here, that all debtors are not improvident, and that by ruining or distressing them, we

paralyse or destroy some of the most potent and enterprising of the agents through whose means the material interests of the country are advanced. So much for the effect on debts and engagements of introducing the English sovereign as the sole standard of value at the equivalent of Rs.10.

In the next place, there would be a heavy fall in prices and in rent, but not, if gold were readily obtainable, to the full extent, in all cases, of the present difference between the sovereign rated at Rs.10 and its actual value, or between silver at 48 pence and silver at 62 pence, for all prices have not yet adjusted themselves fully to the recent depreciation in the value of silver. But gold might not be readily obtainable, and the fall would in that event be measured by the enhanced value of gold: it might exceed the difference between the proposed valuation of the sovereign and the actual value. Rent adjusts itself to a change in the value of currency still more slowly than prices, because it follows them, and to a great extent at all times depends on them. A sudden change, such as that proposed, to a new gold valuation would, however, take effect on everything at once. The ryot would receive less money for his produce, and would be able to pay less to his landlord or to Government. The land assessments would be too high, and would have to be reduced. The money loss to the revenue would hardly be compensated by a saving of the present loss by exchange or payment of the home charges; and no pecuniary gain, were such realisable, would be sufficient to atone for the elements of discord and confusion which would be thrown into the relations of all agricultural interests with each other and with Government. And I do not think that, with the exception of the saving on the transmission of the home payments, any great economy would become possible in the expenditure of the Government, as a consequence of the introduction of the English sovereign. To cut down salaries would be an odious and somewhat risky proceeding. The pay of the troops, European or native, could not be touched, nor the interest on the debt. So far as I am able to discover, no appreciable reduction of expenditure could be made; whereas two of the principal sources of revenue—viz., land and opium—would produce less: the land revenue would have to be reassessed, and opium

would sell for less money in gold than in silver. There might also be a falling off in customs receipts, the duties being levied on lower values; but the loss from this source would, to some extent, if not altogether, be neutralised by increased imports of dutiable goods.

Next, it is proposed to pay off part of the rupee debt in India with the silver which will have accumulated in the treasury from the suspension of the Secretary of State's drawings. What would be the effect of that? Would it be fair to the holders of stock to pay them in a currency which Government was abandoning and compelling all others to abandon as worthless? I am now referring to the proposal to make gold the sole standard, and to reduce our rupees to the position of subsidiary currency only. By declaring the sovereign sole tender, and refusing to coin silver, you may force gold into India; but if gold came in sufficient quantity to satisfy the requirements of trade, there would be no room for silver. The rupees might continue to circulate, but they would not take their value from gold unless they could be exchanged for gold. The amount of rupees in circulation is too great to allow of their sinking at once to the place of subsidiary currency. If gold be introduced at once, silver must be displaced at once: there would not be employment for both. Is the displaced silver to be thrown on the hands of the stockholder? If not, Government must consent to receive it back from him in exchange for gold, for there would be no outlet for it elsewhere. Government would have to take the silver and sell it for gold; but surely a great deal of waste and inconvenience would have been saved had Government, in the first instance, declared the rupee debt to bear a gold valuation. And this is, in fact, what Government would have to do if it changed the standard. The value of the rupee might be upheld by retaining it as a standard of value collaterally with gold, but so much less gold would come. The process of changing the standard would be protracted over a period of indefinite length; and meanwhile all trade transactions would be seriously obstructed by the strain to obtain new medium and by the consequent high charges for money. It may be convenient to consider here what supply of gold would be required

for an immediate change of standard. The Secretary of State's drawings stopped and the Indian mints closed against silver, exchange between India and England would speedily run up to a par of two shillings, and would probably go beyond that figure. This rise would be followed by a reduction of the money-value of Indian exports, and increase of imports, and a diminution of the trade balance in favour of India. It does not necessarily result from the cessation of the home drawings that we shall receive annually a sum equal to them in gold in their place; but gold will have to be imported heavily nevertheless. If we are to have a gold currency immediately, or in two, three, or four years, we shall be compelled to sell our exports for little else but gold; and being under pressure to get gold, we must part with our produce for less than it would otherwise bring. We shall have to submit to a sacrifice in order to obtain new medium, at the same time that loss will be incurred in disposing of the old one. Assuming that India will want only 60 millions of gold to take the place of silver now or within three or four years, we should have to import 15 to 20 millions a-year in order to accumulate a sufficient stock preparatory to the change, and would have to provide for current trade requirements at the same time. There is, besides, a steady normal demand in India for gold for purposes other than those of currency, as will be seen from the following statement of the importations of recent years:—

Importations of Gold less Exports from 1854-55 *to* 1874-75.

1854-55 *	£731,000	1865-66	£5,724,000
1855-56	2,506,000	1866-67	4,188,000
1856-57	2,091,000	1867-68	4,607,000
1857-58	2,783,000	1868-69	5,159,000
1858-59	4,426,000	1869-70	5,592,000
1859-60	4,284,000	1870-71	2,285,000
1860-61	4,232,000	1871-72	3,565,000
1861-62 †	5,184,000	1872-73	2,543,000
1862-63 †	6,848,000	1873-74	1,442,000
1863-64 †	8,898,000	1874-75	2,089,000
1864-65 †	9,839,000		

* In 1853-54, £1,061,000.

† Years of abnormal increase in exports of Indian produce.

It may be said, therefore, that in order to give India a gold currency in the time proposed, we should have to import gold at the rate of, in round numbers, 25 or 30 millions a-year.

There are, further, a few other matters to be considered. The Government cash balances, which now amount to 17 millions in silver, or such part of them as may not consist of notes or be required as subsidiary currency, would have to be converted into gold. The metallic reserve of the paper currency department would have to be converted in like manner, and the reserve strengthened; for, gold being scarce, there would be an immediate run to exchange notes for the metal of which everybody was in need; and it is not to be supposed that Government would offer silver in payment of notes with the certainty of seeing its paper floating at a discount as compared with the gold standard. Furthermore, Government would require a considerable sum in gold for current expenditure. Assuming a certain proportion of the annual cash disbursements, say 15 millions, to be obviated by payment of the home charges out of money borrowed in England, nearly the whole remaining expenditure, including the pay of the military and civil establishments, and interest on the Indian portion of the public debt, would have to be met in gold. Gold would not be received in payment of revenue until it had come into general use in circulation. It would really appear, therefore, that, for these purposes and the protection of its note issues, Government alone would have to lay in a stock of, at the lowest estimate, 30 or 40 millions of gold before so much as a start could be made towards carrying into effect the proposed reform. No doubt the supplies laid in by Government would, in the long-run, lessen the demand for trade, but not while the stock was being accumulated, or until it had begun to be released. There would, in the meantime, be a double demand for gold by Government and trade, one competing against the other. The exports of the country would not suffice to pay for both, even supposing the requisite supply of gold could be had at any price. The conclusion seems irresistible that we could only buy new medium by selling old; and that, to substitute one for the other, by sudden and violent means, would be a difficult, hazardous, and expensive undertaking.

The foregoing demonstration will, I hope, have conclusively proved that the introduction of the English sovereign into India, in the manner which has been proposed, would lead to an unjust arbitration of outstanding engagements between debtor and creditor; that it would produce a disorganisation of prices, of rent, of the value of land, and of the Government revenue; and —which is, perhaps, more to the point—that the scheme is impracticable. We should fail to obtain a sufficiency of gold; and, the supplies of silver having been cut off, the only certain result of our action would be the bringing about a crisis unparalleled in the history of monetary affairs. I have not referred to the onerous character of the work of coining 60, or 70, or 100 millions of sovereigns in the time within which they would be required. That is only a minor difficulty, which, by some supreme effort of mechanical contrivance, might be overcome.

I have still another scheme to notice. It differs in a few subordinate features only from that which we have just been considering. Both have for their object the immediate introduction of gold into the currency of India; but, whereas it was proposed in the one case to rate the English sovereign as Rs.10, raising the value of the rupee to 2 shillings in gold, the present scheme fixes the gold equivalent of the rupee at 1s. 10¾d. The latter valuation is still too high, but is better than the other. This second scheme contains, besides, sundry ingenious devices for averting the loss and difficulty of disposing of silver and of obtaining gold. The best way to form an accurate conception of its provisions is to notice the principal among them in detail.

First, it is proposed to amass a stock of 60 millions sterling of gold in four years, or 80 millions in five years. The plan adopted by Holland, of introducing gold through trade channels only, is set aside in favour of the German method, which is believed to be better suited to the circumstances of India. The whole onus of providing gold is thrown on the Government.

This is, perhaps, the most effective way of introducing gold if India could afford to carry out the change regardless of the cost;

but, as I have before shown, it would be difficult to procure gold in sufficient quantity in the time within which it would be required, even supposing India to have the means at hand wherewith to buy so large a sum of gold as 60 or 80 millions.

Supplies of gold are to come partly from China, partly from hoards in India, but mostly from Europe.

It is safe to assume that most of the gold will have to be obtained from Europe; or from Australia and America, and paid for through Europe. Not much could be expected to come from China; and although there are, no doubt, large hoards in India, the price which it is proposed Government should pay for the gold would not draw them out. A high price, such as we now see prevailing, may bring a certain quantity into the market; but so long as it can be sold there at the proportion of 18 of silver to 1 of gold for export, it will not go into the Government treasury at a less rate. India has absorbed nearly 100 millions of gold in the past thirty years. The greater part of this quantity has been worked up with precious stones into jewellery, converted into bangles, gold wire, thread, and lace, or coined in the mints of native States into mohurs. The mohurs are gradually bought up to be melted, hoarded, or exported, or they are strung together into necklaces and head ornaments—the former worn by men as well as women. A portion of the amount imported is also believed to be held in the shape of bars. The concealed reserves of mohurs and bars form the only stock from which any considerable supply of gold could come, and only under very strong temptation would they be unearthed. Gold lace cannot be melted down profitably; and as regards jewellery, no one who is acquainted with the native's passionate love of decoration will believe that he would readily be induced to break up his personal ornaments for the sake of realising no more than an ordinary price for the gold which they contain. His jewels are family heirlooms; they are not parted with excepting under circumstances of great emergency or distress; and even then their owners would more willingly borrow money upon them, with the prospect of afterwards redeeming them, than sell them outright. I doubt whether the highest offer which Government *can afford* to make would succeed in attracting

from local sources such a supply of gold as would assist to any appreciable extent the introduction of a gold currency.

Gold is to be tempted forth by the attraction of a gold loan to be opened in India, and to bear interest at the rate of 6 per cent. Government is to borrow at this rate to the extent of 12 millions a-year. Government is also to offer to receive gold at its treasuries in exchange for silver, at the rate of 1 of gold to 15.5867, or 15½ of silver.

Interest at 6 per cent on Government security means a very high rate for trade. Capital would be withdrawn from banking, commerce, and industrial enterprise, to be invested in the gold loan. Government cannot now borrow 2 millions a-year without crippling local resources. What would be the effect of borrowing 12 millions a-year? It may be said that gold would be sent out to India by capitalists in England, and that all we want is a supply of gold, let it come from what quarter it may. Admitting so much, would it not seem a little unwise to pay 6 per cent in India, if money can be raised much more cheaply in the place from which the gold is to be sent? As for the offer to receive gold at the Indian treasuries, it is hardly flattering to native intelligence to expect that gold will be presented to be exchanged for rupees, shortly to be demonetised, and which will then be worth only their weight in depreciated metal. Gold might now be sold for current rupees at about the proportion of 1 to 17½ or 18; and if at this rate only a moderate supply of gold is available, it is unreasonable to assume that it will be paid into the treasuries in large quantities at the rate of 1 to 15½. The prospective early demonetisation of silver would further widen the divergence of value between the metals.

Loans are also to be opened in England. The Secretary of State for India is to borrow, if necessary, to the full extent of the amount of gold required to be accumulated, say 60 or 80 millions. The drawings on India are, at the same time, to be stopped or reduced by one-half, and the Government is to close the Indian mints against silver, by imposing a prohibitory seigniorage.

Well, this would bring affairs to a pretty pass. We should have the Government of India borrowing and bidding for gold

in India, the Secretary of State borrowing and bidding for gold in England, and trade struggling to secure gold on its own behalf. There would be such a *bouleversement* both in India and England as the world has never seen. The mere charge for interest on the loans would be a small matter compared with the derangement of trade, and the tax on trade produced by high charges for money; and the charge for interest alone would not be light. If the Secretary of State ceased altogether to draw on India for the home charges, he would have to borrow 15 millions a-year to pay them. The money raised for this purpose would not help him to acquire gold; it would be paid away as soon as received. He must borrow in addition to buy gold. In order to lay in 60 millions in four years, he would have to raise a second sum of 15 millions a-year. Something would also be wanted for public works, unless public works are to be abandoned. Say that the requirements for these works are limited to 2 millions, the total annual borrowings would amount to 32 millions, on which the interest, assuming 4 per cent only to be paid, would come to nearly 13 millions in four years. To this outlay for interest would fall to be added the loss, whatever it might amount to, on the sale of 50 or 60 millions of silver. The amount of the loss must either be paid out of revenue or be added to the debt. I have not estimated the loss at so much as it actually might be. Disposal of the silver might be prolonged beyond four years, and the loans would run on, and interest have to be paid on them, until they could be liquidated by sale of the silver. As a set-off against this, however, the silver which would accumulate in the treasuries in India, while the Secretary of State's drawings were suspended, might be sold as it came in, and the amount of money borrowed, *pro tanto*, be reduced. In any case there would be a loss, not inconsiderable in itself, and more than India can afford, but insignificant compared with the more serious injury which the country would suffer through the check given to trade and production.

The consequences would be equally serious were the introduction of gold left wholly to the ordinary operations of trade, the coinage of silver being suspended.

The net surplus of 20 millions of exports from India in 1874, and net import of $4\frac{1}{3}$ millions of silver, form no measure, it is asserted, of the amount of gold which might be imported continuously for four or five years under high exchange consequent on the stoppage of the coining of silver, such stoppage tending to check exports.

No criterion, certainly, if the entrance of silver be forbidden; but you reduce exports in quantity and value, you compel the country to buy gold with what remains, and, in short, run the risk of ruining trade in the effort to obtain gold. Then, in the event of trade being left to find the gold, are the Secretary of State's drawings to be stopped along with the coinage of silver? If the drawings are to continue, are the drafts to be paid with silver in India where gold is to be declared legal tender? If not, in what other manner is the silver which will have been accumulating in the Indian treasuries to be exhausted? It must either be used to pay off rupee loans or be sold: and the injustice of throwing the loss by depreciation on the stockholder I have already pointed out.

We now come to the question of the sale of the displaced silver. This part of the operation is to be so managed, that not only shall there be no loss on the sale, but that, in reality—or better, say in imagination—a profit shall be earned large enough to compensate for the cost of buying gold.

Half the silver currency will be required as subsidiary tokens to circulate under gold. 60 to 80 millions of silver displaced by gold, will have to be disposed of in some way. Of this sum it is anticipated that India herself will absorb 20 millions for manufactures and ornaments—being at the rate of 5 millions a-year. The sum seems a large one; but allowing that 20 millions are used up in India, 40 to 60 millions will remain, for which markets must be found somewhere out of India. It is hoped that China may take some. We are, it appears, to take the Chinese unawares, and saddle them with 12 millions of silver before they shall have had time to realise what we are after. But India has already a large trade balance to recover from the Chinese, and the attempt to pawn off Indian money upon them, instead of taking money from them, would of itself wear a suspicious

look. Having plied them with opium, until their perceptions had been sufficiently dulled, we are next to entrap them into acceptance of our worthless rupees. There may be no harm in doing either. Whether the effect of the consumption of opium be to blunt the senses or sharpen the wit of its Chinese votaries, in Indian opium they get the best article of the kind produced; and well worth the money paid for it. With rupees the case would be different. They would turn out a bad bargain for the Chinese—if accepted at the value we might be disposed to set upon them; but in this very matter of price the Chinaman would discover his advantage. It would be open to him to offer what price he chose. Indian silver would find itself placed in competition with increased supplies from America; the Chinese would choose between the two, and bid for either as might suit them. The same thing would happen in other countries. The exclusion of silver from India would add to the amounts offered for sale in all the other markets of the world, and there is no knowing where the fall in price might end. It is necessary to remember that India, from being the largest buyer, would have become the largest seller, of silver. It seems not improbable we should have to sell 50 millions of Indian silver at a loss of 30 per cent on the valuation at which it is proposed to introduce gold. This would represent a sum of £15,000,000; adding to which the £13,000,000 of interest on new loans, we arrive at a total direct pecuniary loss on the change from silver to gold of £28,000,000. As I have stated, however, some ingenious means have been suggested by which it is hoped to neutralise this loss. Let us now inquire what those means are, and endeavour to test their efficacy.

The 40 to 60 millions of the present currency, displaced by gold, are to be disposed of, partly in India and partly in foreign markets. 40 or 50 millions of silver, but perhaps more, will remain, and this residue it is proposed to convert into token coinage, containing 10, 15, or 20 per cent less silver than the existing rupees. Rating the value between silver and gold, at the same time, at 15½ to 1, or 60.838d. of gold to each ounce of silver; and assuming the market price of silver to be

50 pence,—this over-valuation would give a seigniorage of 21 to 22 per cent on the coinage of silver.

Admitting, for the sake of argument, a seigniorage imposed for the purpose of maintaining the old measure of value to be, on abstract grounds, defensible, I fail to see how it is to be realised without incurring large additional expense. The 40 or 50 millions of silver which it is intended to convert into token coins, cannot be withdrawn at the same time that the 60 or 80 millions displaced by gold are disposed of. The 60 or 80 millions cannot be withdrawn till we are able to put gold in their place: no more can the 40 or 50 remaining millions of old rupees be called in until we can give new coins in exchange for them. For the manufacture of the new coins it would become necessary to employ the greater part of the silver displaced by gold, and only a small part, therefore, of that silver could be sold. Suppose 40 or 50 millions of the 60 to 80 millions first withdrawn to be required for token coinage; only 20 to 30 millions could be sold, and the consequence would be, that 40 or 50 millions of the new loans, contracted for the purchase of gold, must rest unpaid until the new coins are manufactured and issued in lieu of the remaining 40 or 50 millions of old rupees whose place they are to take. This would prolong the process of reform, and involve a large extra charge for interest, without reducing the amount of silver which must eventually be sold. There is an alternative, but it is an expensive one; it is to borrow money for the purchase of silver for token coinage as well as for the purchase of gold. The new tokens might then be issued at the same time as the gold, and the seigniorage profit realised at once; but against this profit there would have to be reckoned interest on the supplementary loans, as well as loss on the greater amount of silver which would in the end have to be sold. The prospect, therefore, of realising a profit from seigniorage, which shall not be counterbalanced or outweighed by a loss, seems illusory. And supposing a clear profit, which might be applied towards defraying the expense of buying gold, to be realisable, there are strong political reasons to be urged against tampering with the quantity of silver contained in the rupee. The change would not be similar to that

which occurred on the substitution of the "Company's" rupee for the old Indian "Sicca" rupee. There the new coin settled into its place at the level which its intrinsic value—plus the now very moderate mint charges—secured for it. Here it is sought not only to make the less take the place of the greater, but to make the less the more valuable of the two. The present rupee being worth no more than 1s. 7d., we wish to make the new rupee, containing 20 per cent less silver, worth 1s. 11d. I doubt whether the attempt to do so would prove successful. Of course the intention is that the new rupee shall take its value from the standard gold coin, but this would not generally be understood. Even in England, some persons are occasionally heard of who do not perceive whence the token coin in circulation there derives its circulating value. They are unable to comprehend why it is they cannot obtain new sixpences and shillings for as much silver as they may like to tender at the English Mint. In India, the intentions of the Government would be still more liable to be misconstrued. All that would be apparent to the people would be that Government was making 20 per cent out of its rupees, a fact which could not be denied or very easily explained. To ask a native holder of rupees to give up what he held, and accept others of less intrinsic value in their stead, would seem to him a very odd request. A demand of this nature would almost certainly produce great distrust, and might, possibly, if persisted in, give rise to grave political danger. On grounds alike of policy and economy, the wiser plan would be to preserve unaltered, as regards the measure of silver they contain, such amount of the existing rupees as may be required to serve as subsidiary currency. That an artificial enhancement of the value of the currency, in any extraordinary degree, offers a premium on the fabrication and issue of spurious coin, is a fact too well known to require comment.

An equally ineffective means of evading loss on, and facilitating the withdrawal of silver, is presented in the proposal to extend the circulation of Government notes. There are now three principal offices of issue in India—one in Calcutta, another in Bombay, and a third in Madras. Subordinate to each of these

head centres, there are smaller circles of issue, the notes of which are convertible at their respective local centres, and also at the head centre of Calcutta, Madras, or Bombay, as the case may be. Attached to Calcutta are the subordinate circles of Allahabad and Lahore; to Bombay, Kurrachee, Akola, and Nagpore; and to Madras, Calicut, and Coconada. The following statement of the circulation and reserves of the various circles is taken from a recent edition of the Government of India Gazette:—

MINT AND CURRENCY.

The 12th May 1876.

Statement of the amount of Government Currency Notes in circulation, of the amount of Coin and Bullion Reserve, and Government Securities held by the Department of Issue of Paper Currency.

Date.	Circles of Issue.	Currency Notes in circulation.	Silver Coin Reserve.	Silver Bullion Reserve.	Gold Bullion Reserve.	Reserve in Government Securities.	Total Reserve.
1876.		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
April 30.	Calcutta	4.51.89.030	86.13.603	..	..	2.58.74.402	3.44.88.005
,,	Madras	1.19.50.360	68.13.142	..	..	59.28.463	1.27.41.605
,,	Bombay	2.71.98.870	1.27.75.213	1.48.553	..	1.55.85.209	2.85.08.975
,,	Allahabad	67.88.785	99.57.749	..	..	30.03.291	1.29.61.040
,,	Lahore	61.38.710	53.84.223	..	..	32.00.037	85.84.260
,,	Calicut	26.36.890	13.04.161	..	..	7.00.059	20.04.220
,,	Coconada	37.50.540	36.15.911	..	..	4.00 059	40.15.970
,,	Nagpore	9.67.150	4.34.983	..	..	7.47.902	11.82.885
,,	Kurrachee	17.87.435	5 80.434	..	..	12.00.106	17 80.540
,,	Akola	9.11.470	7.51.740	..	..	3.00.000	10.51.740
	Total Rs.	10.73.19.240	5.02.31.159	1.48.553	..	5 .69.39 528	10.73.19.240

The whole note circulation is only $10\frac{3}{4}$ millions sterling, and the metallic reserve amounts to 47 per cent of the liability, a proportion which experience has shown to be small enough to meet the exigencies of the issue department.

It is now proposed to increase the circulation by 22 millions, raising it to 32 or 33 millions. This is more easy to propose than to carry out. The issue of Government notes began in 1862, and if the circulation has taken fourteen years to grow to $10\frac{3}{4}$ millions, its further expansion to treble that amount is not

likely to be effected so rapidly as to be of much practical use for the immediate object intended to be promoted. The steps suggested for the accomplishment of this rapid extension of the circulation, I may here briefly summarise.

Currency offices are to be multiplied indefinitely throughout the country, and notes issued from each of them of the denomination of R.1, and upwards, in exchange for silver. Notes are to be convertible at all the offices without restriction of any kind. It is observed that now notes of country circles are driven to the head centre, or repelled from it, with the fluctuations to and fro of trade; and that the notes which come, say, to Calcutta, are seldom presented at the central office there for conversion into coin. It is sufficient for the bankers, merchants, and large local traders to know that the notes are payable at the Calcutta office, as well as at the offices of the subordinate circles to which, properly, they belong; and it is deduced from this circumstance that the same thing would happen with Calcutta notes remitted to the interior when the tendency of trade directed them thither. Notes which the offices opened in the interior would issue for silver, would, after lying in the Presidency or principal currency office till the export season, be withdrawn then from that office and sent back to the interior. In time they would cease to be presented, on return, at the agency offices for silver; for the existence of agencies, and the free provision by them of notes for local use, additional to meeting the fullest requirement of notes for remittance, would establish notes in local circulation, or in local reserves, as notes of legal tender which everybody would prefer to silver.

The conclusion here is wrong, because it is arrived at through a false analogy. The circumstances of the country differ widely from the circumstances of the coast towns. The inhabitants of those towns have become more impregnated with European ideas than have the inhabitants of the up-country towns and districts. Merchants and traders in the coast towns, also, in buying and selling goods, deal with the trading classes of the Mofussil; but the transactions of the latter are with the agricultural population, a much less enlightened class. With this part of the community the Government note can hardly be said to have made any progress at all. If from the $10\frac{3}{4}$ millions constituting the present circulation, we take off the amounts held by the Presidency banks at their head offices and branches, by native traders and bankers in the three Presidency towns, and, though to a much less extent, by the same two classes in the towns of the Mofussil; if we deduct, also, the amount of its own notes held by Government—less now, I have reason to believe, than it was a short time ago,—little of the $10\frac{3}{4}$ millions will be left to be accounted for. It is indeed tolerably certain that the note circulation, even in the towns, is not so great as it ought to be, for otherwise it would exceed $10\frac{3}{4}$ millions. In the up-country towns, the notes are used chiefly as a means of remitting money from one place to another. The notes are cashed by Government, to the extent which spare funds will admit, at every public treasury, besides being convertible at all times and to any extent at the head and sub-centres of their respective circles. This additional privilege tends to promote the circulation of the notes. It helps to extend their use and to make the people familiar with them. There is no objection to it, excepting that it interferes with the business of bankers whose capital is employed in the inland exchanges. The encashment of notes at district treasuries to the extent of surplus funds further enables Government to withdraw its revenue collections and cash balances, and to concentrate them at a few large treasuries at convenient places, without the necessity of transporting specie. Were the Government, however, to undertake to give cash in exchange for the notes of one circle at every other circle, at every treasury, and at all the new currency offices which it is proposed to establish, Government would be undertaking no less a task than the adjustment of the whole internal exchange transactions of the country. When the circulation shall have taken a firm hold in the country districts, and when notes come to be accepted freely in payment of agricultural produce, the task may not be so difficult as it would be now; but, at present, it would be both difficult and costly. India has often been described as a continent equalling in size all Europe, without Rus-

sia. The comparison is a little hackneyed, but it brings forcibly before the mind the immense expanse of territory comprised within the Indian empire. It is over an area of this extent that Government is asked to provide specie at all points and for any amount which may be demanded. An universal note, convertible everywhere, would be an excellent thing for the country, but the time has not yet come to put the experiment in force. The extension of the Government paper circulation in India must be a gradual process, and it may be a slow one. Above all, it must not be forced: the notes must be left to win their way into the confidence of the people by degrees. That there is room for the circulation to grow is certain: that it will grow with time there is no reason to doubt; but the immediate development which may be expected, will not, in the present emergency, avail us much.

Of a character with the foregoing proposal is another which emanates from the same source. Government is to issue gold notes of the denomination of Rs.20 and upwards, and silver notes of lower denominations. The silver notes, it is to be presumed, will be convertible into the new reduced rupee, to which attention has already been directed. The new issues against gold cannot be made immediately convertible into gold, inasmuch as there will be no gold to meet them; but it is intended they shall be convertible so soon as a sufficient stock of gold shall have been accumulated. The position is this: Government, wishing to buy up and withdraw the silver currency, but having no gold to give in return, and having no other available means with which to pay for the silver, offers payment in paper. The paper is to fill the void in the currency created by withdrawal of the silver, until gold can be substituted. As the notes are to be issued at the rate of 1 of gold to 15½ of silver, there would at first sight appear to be a profit to the holders of silver in parting with their silver in exchange for notes—the present proportion of gold to silver being about 1 to 20; but if the importation of silver were stopped, this difference would disappear, and there would be no profit on taking notes. Assuming there would be a profit, it would not, distributed over the intervening years, amount to more than a moderate

rate of interest, probably 4 or 5 per cent, on the money invested in notes. It would be profitable to pay them back to Government in the form of subscriptions to the 6 per cent gold loan, but this would not assist Government to obtain gold, which is the object of the loan; and if Government refused to receive the notes in payment of contributions to the loan, what would be the use of them? They might be declared legal tender; but if Government itself declined to accept them, it could scarcely expect others to do so. They would not be held to any great extent as bankers' reserves. None of the joint-stock banks in India, except the Presidency banks, hold any reserves to speak of; and the reserves which joint-stock banks and private bankers hold, they like to have in such a shape that it may be drawn upon in case of need for the general purposes of trade Nearly the whole of the export trade of India consists of agricultural produce, which must be paid for in coin. Notes could not be sent into the interior of India, or into Burmah, to pay for rice or timber, cotton, jute, or seeds. A ryot of upper India, or a Burmese forester, would look askance at a bit of paper. It would be difficult to explain to him, and he would find it still more difficult to understand, that it was as good as gold—that, to be sure, nobody would give him gold for it quite immediately, but that it would be exchangeable for gold at some future time. With obstacles and prejudices such as these to overcome, it would be a very serious step to take, to notify, as it is proposed Government should do, that after four or five years, or so soon as gold can be declared sole legal tender, rupees will only be convertible into gold at the market price of silver. The holders of rupees are to be forced to give them up; and these are to be supplied with currency, which can be of no practical use for the purposes for which currency is employed.

Having now examined the more prominent and plausible of the various schemes projected for the removal or amelioration of the evils produced by the depreciation of silver, and having found all of them wanting in the essentials of success, it remains for us to consider whether there is any other way out of the dilemma. A great many suggestions, in addition to those which have been noticed, have been made for restoring the value of

the currency; but they are too extravagant, and too patently unpractical, to merit consideration. Such, for instance, is the character of the proposal that, as a measure preparatory to the introduction of gold, Government shall take into its own hands the regulation of the imports of silver, and so restrict them that while trade shall not be starved by the want of currency, the supply will be so adjusted as to satisfy bare mercantile requirements, and induce the importation of gold in payment of exports. The simple reply to this is, that if silver were brought in such quantity as would be necessary for carrying on the transactions of trade, there would be no room for gold. The currency of a country bears a fixed proportion to its trade.

What is to be done? I confess I see great difficulty in the way of doing anything. But, before attempting a settlement of this point, it is desirable that we should know exactly what the evils are which we desire to cure. These I now propose to inquire into more minutely than I have yet done. For the sake of clearness, I shall divide the inquiry into three parts, and consider separately the results produced by the depreciation of silver as they affect the individual, the Government, and the country.

First, with regard to the individual. There are several classes. There is the importing merchant, the exporting merchant, the local trader, the individual on fixed pay, including the domestic servant, the shareholder in joint-stock companies or corporations, the landowner, the cultivator. Of all these classes the individual on fixed allowances is perhaps most to be pitied. He may be a salaried officer of Government, or employed in any other service, where he has agreed to sell his labour for a number of years to come at a stated price; or he may be a fundholder who has invested the proceeds of the labour of bygone years in what he considered to be the security least likely to depreciate. In either case, he finds that he has parted with the value of his labour, and cannot obtain full value for it in return. The individual with his labour stood on one side of the medium: on the opposite side were other values, consisting of lands, houses, and commodities of different kinds; but instead of buying these, he pulled up at medium, and bought that. He bartered away his labour, or the accumulated savings of his labour, and agreed to receive in payment so much medium every year, and in the end, if a stockholder, to take back the whole in medium. But the medium has lost virtue. His labour has been converted into it, but he cannot now reconvert the medium into the other values of which he stands in need, and which he formerly believed to be at his command whenever he might choose to offer a portion of his medium for them. If the capital of those from whom he consented to receive medium consists of other things than medium, they will be gainers at his expense; but if their capital also consists of medium, or derives its value from medium, they will be in the same position as himself. In the latter position stands the shareholder in purely Indian banks, or other institutions whose capital has been subscribed, is invested, and is repayable in Indian currency. Silver is the base of value of such capital. The individual, on the other hand, who is a shareholder in tea-garden properties, cotton or jute mill companies, coal-mines, land, or houses, will not suffer. As silver depreciates in value, his properties, and the produce of his properties, will sell for more of it. The local trader will in some cases gain and in other cases will not gain. He will gain if his capital happens to be laid out in those kinds of merchandise which first experience a rise in prices. If he get no more money for the other kinds of goods which he may hold, the money which he receives will still have the same purchasing power over similar goods which have not felt the influence of the rise. Under any circumstances, he is not likely to lose in passing from one transaction to another. His capital will increase in money-value if he keeps it employed in trade, and does not allow it to remain unproductive in currency. The position of the merchant whose means are employed in foreign trade will differ little from that of the local trader. The importing merchant will, however, find himself placed at a greater disadvantage than any other merchant or trader. He may not be able to sell his goods at the equivalent in silver of the gold price which he paid for them. In that event he must submit to a loss on his sales if he cannot afford to wait; and he will, if he is a prudent merchant, abstain from renewing his

operations until either he can buy goods for less gold or sell them for more silver. Prices must either rise in India or fall in the places in which the goods are produced. If they rise in India, the merchant will recover the equivalent of the value which he invested. If they do not rise, he will lose on his immediate transactions, but he need not repeat them till values become adjusted; and they will adjust themselves all the more speedily for his abstention. The two remaining classes are the *ryots* and the landowners. I should like to call the *ryot* farmer; but his condition differs so much from that of the British farmer, that I dare not. The *ryot* will receive a higher price for the produce of his fields. For a time he will profit by the increase, but for a short time only. He will have to pay more, ere long, for his scanty clothing, for his earthenware pots, and other requirements; and, when his lease expires, his landlord will demand more rent. The landowner, or the landholder who holds from the State, is, of all, the individual best off. Even where the land settlements are terminable, he is sure of a somewhat long tenure. Where the settlement is permanent, as in Bengal, he may, for all that anybody now knows to the contrary, sit undisturbed in the enjoyment of his rupees for ever. The cost of protecting the country from foreign aggression, of preserving peace and administering justice internally, and of promoting the welfare of the country and its inhabitants materially and morally by active means, may increase as it likes. The cost must be paid from some other source; and the landlord, who is the individual who benefits most by the outlay incurred for these objects, will be subsidised at the expense of the other individuals composing the community.

So far as regards the individual. We now come to the Government, which is charged with the care of the country and wellbeing of the community. What are the consequences of the depreciation of silver as they affect the Government? Government is but an agent for carrying out the public objects which have just been described—in India, a self-constituted agent, but more disinterested than if the Government were composed of the representatives of separate and conflicting sections of the community. More money will be required for carrying on the work of governing the country. More silver will have

to be paid, by-and-by, for labour, for material, and for everything which is not silver. Already we see the effect of having to buy gold with silver for payment of the expenditure of the Indian Government in England. The same change will shortly be brought about in the relation of silver to all other things, as well as in its relation to gold, should the depreciation of silver last —and it may last. The interest on the money which Government has borrowed is the only item of expenditure which will not be increased. The burden of both principal and interest of the debt will, in reality, be diminished, so far as the country is concerned; for the wealth of the country, excluding silver but measured in silver, will represent a larger number of rupees than formerly it was worth. As concerns Government, however, the burden will not be lightened unless the revenue received by Government expand in the same proportion as the depreciation. Unless the revenue does this, the burden, as regards Government, will be no greater and no less than it was. The same amount of currency will be received as revenue, and the same amount paid. As before stated, all the other items of expenditure will increase.

Lastly, we have to consider the consequences of the depreciation of silver as they affect the general prosperity and progress of the country. In some directions the country gains, in others it is a loser. It gains on the whole amount of the public debt. Its obligations have been contracted, and can legally be discharged, in currency. The material from which this currency is made has become exceedingly cheap, and the country's means will exchange for more of it than of old. The only question of difficulty between the country's creditor and the country is, whether the creditor lent so much value embodied in currency, or a certain amount of currency returnable in currency whatever the value of the latter might be. When silver and gold were adopted by the nations as the standards of value, they had already been in use as such. Some nations chose silver, some gold; and declared that one or the other should be legal tender for the payment of all debts. The values of the two metals were believed to be, and had been found in the past to be, the most stable of all values. Had they not been declared legal tender, contracts would have been made in them all the same, and transactions would have been carried out through their medium

according to its quantity and fineness. The various Governments, by taking the manufacture and issue of coin into their own hands, and by placing their seals upon it, did no more than guarantee the weight and purity of the metal which the coin contained. Although the coins were declared legal tender for the discharge of debt, there was really nothing compulsory or revolutionary in so doing—for debts which had been contracted in silver would have been repayable in silver without the authorisation of Government. The liability of silver to vary has not hitherto been realised by the generality of people, otherwise there would have been less disposition to enter into contracts for periods of indefinite length; but, for this misconception as to the nature of currency, neither the Indian Government, nor any other Government, can be held to be answerable. Nor is it the fault of the Indian Government that a depreciation of the currency has occurred. The depreciation is the fault of no one, but is the result of natural laws which neither Governments nor individuals can oppose. According to my thinking, therefore, the public debt must be allowed to stand at its value in currency. The only way of restoring its value to the holders would be by increasing its amount in the same proportion as that in which silver has fallen—by raising it, that is, from 110 or 115 millions to 135 or 140 millions. But had silver increased in value 20 or 25 per cent instead of having, as it has done, depreciated in value to that extent, I doubt whether the public creditor would have been ready to submit to a reduction of the debt due to him from 110 millions to 90 millions; and what tells one way tells equally the other. The same principle applies to debts between individual and individual. There is the individual who lends money, and the other who borrows money from him. What the former loses the latter gains; but the lender has no justifiable ground for complaint: each made his bargain in rupees, and had the rupees become more valuable instead of less, that fact would not have been accepted by the lender as establishing a plea for reduction of the amount owing to him. I have introduced this instance of the individual here, because his position can be more clearly defined now than it could have been under the category to which he belongs.

It remains for us to ascertain how the depreciation of silver has affected the country. Regarding the country as a whole, it does not seem to have suffered much. It gains on its debt, and loses on the silver which it holds; but the loss on its silver is very widely distributed, and will only gradually be felt. The loss would be much more immediate, and much more grievous, were silver to be demonetised. Trade appears to be going on much as it did before the depreciation. In proof of this, I submit some statements prepared from the Government Trade Returns. The first is a statement of the quantities of some of the principal articles of produce exported from India in the years 1872-73 to 1875-76. The second displays the values of the articles exported. The third shows the quantities of the chief articles of Manchester manufacture imported into India during the same period; and the fourth, their values.

I.—Quantities of some of the Principal Articles of Produce Exported from India, 1872-73 to 1875-76.

	Cotton.	Indigo.	Jute.	Linseed.	Rice.	Wheat.	Tea.
	lb.	cwt.	cwt.	cwt.	cwt.	cwt.	lb.
1872-73	494,214,000	115,000	7,080,000	2,237,000	23,300,000	394,000	17,790,000
1873-74	503,966,000	115,000	6,127,000	2,820,000	20,200,000	1,755,000	19,324,000
1874-75	627,209,000	81,000	5,493,000	3,595,000	17,392,000	1,069,000	21,137,000
1875-76	561,096,000	110,000	5,184,000	6,282,000	20,618,000	2,498,000	24,361,000

II.—Values of some of the Principal Articles of Produce Exported from India, 1872-73 to 1875-76.

	Cotton.	Indigo.	Jute.	Linseed.	Rice.	Wheat.	Tea.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1872-73	14.02.21.000	3.42.68.000	4.14.25.000	1.11.88.000	5.76.00.000	16.77.000	1.57.76.000
1873-74	13.21.22.000	3.55.52.000	3.43.60.000	1.41.01.000	5.55.00.000	82.76.000	1.74.29.000
1874-75	15.25.73.000	2.57.63.000	3.24.68.000	1.79.79.000	4.76.00.000	49.04.000	1.93.74.000
1875-76	13.25.89.000	2.87.92.000	2.79.32.000	3.31.71.000	5.31.15.000	90.10.000	2.16.63.000

III.—Quantities of some of the Principal Articles of Manchester manufacture Imported into India, 1872-73 to 1875-76.

	Twist and Yarn.	Grey Goods.	White Goods.	Coloured, Printed, and Dyed Goods.
	lb.	Yards.	Yards.	Yards.
1872-73	31,689,000	644,832,000	150,872,000	... ...
1873-74	30,578,000	660,094,000	170,646,000	113,819,000
1874-75	37,097,000	755,807,000	154,080,000	128,427,000
1875-76	31,927,000	864,977,000	168,977,000	152,945,000

N.B.—Goods described in "pairs" and "dozens" in the Trade Returns I have excluded: they are comparatively small in quantity.

IV.—Values of some of the Principal Articles of Manchester manufacture Imported into India, 1872-73 to 1875-76.

	Twist and Yarn.	Grey Goods.	White Goods.	Coloured, Printed, and Dyed Goods.
	Rs.	Rs.	Rs.	Rs.
1872-73	2.62.82.000	... ...	... ...	... ...
1873-74	2.62.89.000	8.55.96.000	2.58.36.000	1.97.14.000
1874-75	3.15.77.000	9.89.30.000	2.29.79.000	2.07.62.000
1875-76	2.79.47.000	10.80.69.000	2.59.20.000	2.75.85.000

Of the exports, cotton and jute are the only articles which indicate any falling off, and in neither case is the decrease to be attributed to the depreciation of the currency: the decrease would have been greater had the currency not depreciated. Linseed, wheat, and tea, each exhibits an increase. It is worthy of remark, also, that the quantity of cotton exported in 1875-76, although less than in the previous year, was greater than in 1872-73, notwithstanding a very serious decline in price. The extent of the decline may be judged from the following table of prices of "fair Dhollera" cotton in Bombay :—

Prices of Fair Dhollera Cotton, 1873 to 1876.

	January.	February.	March.	April.	May.
1873	215 to 225	205 to 222	184 to 213	165 to 195	161 to 185
1874	160 to 175	160 to 169	163 to 174	154 to 172	164 to 180
1875	177 to 180	170 to 180	173 to 188	165 to 190	145 to 180
1876	180	140 to 159	141 to 153	138 to 156	131 to 146

I give also, at p. 58, the average prices of export produce and Manchester goods in Calcutta from 1872 to 1876.

One of the most noticeable features in connection with the import trade is that, while Manchester piece-goods sell for less silver than before, the imports have kept up to their old level, and in some instances have surpassed it. Unless the goods were bought for less gold than they would have cost previous to the fall in silver, the importers must have been heavy losers. If the goods could not be bought for less gold, one would naturally have expected to see the imports reduced. Which way matters have gone is best known to the importers themselves. It is certain that the import trade cannot be carried on for ever at a loss, or for a very long time. When importers have lost so much that they can go no further, values will, of necessity, become adjusted. Local production will be stimulated in the interval, but only temporarily. Prices must either fall in foreign markets or rise in India; and when the rise becomes general, the home producer will have to pay higher wages to his workmen, and probably a higher cost for the raw material which he works up. The protection thus afforded will pass away in the natural order of things, and its removal will cause no heart-burnings as the abolition of an artificial state of protection would do. The effect of the protection, while it lasts, will not be found to have been wholly bad. The number of skilled workmen in India will have been increased, and the knowledge which they may acquire will not be altogether lost. Against this temporary advantage we may place the temporary draw-

Calcutta Prices of Principal Articles of Export, and of Manchester 7 lb. Grey Shirtings, 1872 to 1876.

Season.	Bengal Cotton.	Indigo (fine Shipping).	Jute (first marks).	Linseed.	Rice (Table).	Wheat.	Tea (Pekoe).	Piece-Goods (Shirtings).
	Jan., Feb., Mar.	Dec., Jan., Feb.	Aug., Sep., Oct.	July, Aug., Sep.	Dec., Jan., Feb.	Ap., May, June.	June, July, Aug.	Oct., Nov., Dec.
	Per Maund.	Per Maund.	Per Bale.	Per Maund.	Per Maund.	Per Maund.	Per lb.	Per Piece.
	Rs. as. Rs.	Rs.	Rs.	Rs. as. Rs. as.	Rs. as. Rs. as.	Rs. as. Rs. as.	Rs. as. pi. Rs. as.	Rs. as. Rs. as.
1872 or 1872-73	18.0 to 19	250 to 270	17 to 21	4.10 to 4.14	3.8 to 4.4	2.6 to 2.12	0.12.0 to 1.8	5.5 to 5.7
1873 or 1873-74	13.0 to 15	270 to 317	18 to 21	4.10 to 4.14	4.4 to 5.8	3.0 to 3.4	0.13.0 to 1.8	5.0 to 5.6
1874 or 1874-75	14.0 to 15	290 to 327	22 to 26	4.10 to 4.14	3.10 to 3.13	3.6 to 3.12	0.14.6 to 1.9	4.8 to 4.13
1875 or 1875-76	13.12 to 15	240 to 280	18 to 20	3.14 to 4.4	3.8 to 3.12	2.6 to 2.10	0.13.3 to 1.7	4.9 to 4.12
1876	14					2.4 to 2.9	1.2.0 to 2.0 (To July only.)	

back that foreign capital is kept away from Indian enterprise—is prevented from becoming localised in India—by the uncertainty which continues to exist as to the future of silver. First set on foot, and still mainly promoted, by capital formed out of the savings of Englishmen who are or have been resident in India—but more so in Bengal than in Bombay—new enterprises depend for their continued development and success on the state of the market for loanable capital, from time to time. Imported capital furnishes a large share of the supply available for this purpose; but, so great has been the uncertainty with regard to silver, that the largest lenders of foreign capital have been keeping all their spare funds in England, bringing out to India only so much as they could safely make sure of returning at no very distant date. There are many enterprises in India which would yield lucrative returns on a larger amount of capital than is now employed in them.

Recalling attention to the table of Calcutta prices, the list shows that the prices of exports, taken all round, were lower in 1875-76 than in 1872-73. Tea is the only article which has undergone any great advance. The depreciation of silver and fall in exchange have not caused a general rise of prices, but they may have prevented a general fall. In this the cultivator reaps a real benefit, for the rupees which he receives in return for his produce have lost nothing of their purchasing value. The benefit may be regarded as being of a fictitious character, but it has been of real advantage to the cultivator, and may assist to tide him over the present season of depression into more prosperous times. That there has been no considerable or general rise I ascribe partly to the prevailing depression in the markets of Europe, partly to the exceeding productiveness of the Indian soil, and partly to the exhaustion of the currency, a fact to which, in a former part of this paper, reference has been made. We can better realise now what would be the effect on prices of adopting any step which might tend to contract the existing supply of currency in India. On the whole, the country does not seem to be in a very bad way. In cases of this kind, we are apt to imagine that everything is going wrong. The wide

expanse of good is obscured by a little evil because the evil is so near us.

We are in a position now to form a fairly correct estimate of the extent of the evil which we seek to combat. The individual on fixed allowances and the Government, the greater part of whose income also is fixed, are in the worst predicament; but only a portion of their expenditure has, up to the present time, increased. All individuals are not affected by the depreciation alike. He who has remittances to make to England feels the effect before him whose expenditure is entirely in India. The fundholder who resides in England will feel the reduction in the value of his investment sooner than the fundholder resident in India. The consumer of European goods will be affected before him who consumes only Indian produce. The consumer of purely Indian produce is not yet in any sense worse off than he was. The prices of articles of food have not risen; and clothing, as I have shown, is not dearer. To remove any doubt which may be entertained on so important a matter as the price of food, I submit here statistics of the prices of food-grains in the bazaars of Agra, Cawnpore, Umritsur, Dacca, and Calcutta, in each of the years 1872 to 1876.

I.—Agra.

Grain.		1872.	1873.	1874.	1875.	1876.
		S. C.	S. C.	S. C.	S. C.	*M. S. C.
Wheat, .	for Re. 1	18 14½	17 8½	14 9	20 11	0 25 14½
Barley, .	„	24 15	23 15	22 11	33 5	0 34 0
Gram, . .	„	22 4½	31 15	22 12	30 5	0 30 10
Juar, . .	„	19 0	24 15	23 0	29 0	0 32 0
Bajra .	„	15 3	20 0	14 8½	28 14	0 30 2
Arhar (Dhall),	„	32 6	27 15	21 0	29 0	1 1 0

* Maunds, Seers, Chittacks.

II.—Cawnpore.

Grain.	1872. 1st Quality.	1872. 2d Quality.	1873. 1st Quality.	1873. 2d Quality.	1874. 1st Quality.	1874. 2d Quality.	1875. 1st Quality.	1875. 2d Quality.	1876. 1st Quality.	1876. 2d Quality.
	S. C.	S. C.	S. C.	S. C.	S. C.	S. C.	S. C.	S. C.	M. S. C.	M. S. C.
Wheat, . . .	18 5½	19 8½	17 2½	18 2	15 7¾	16 5	21 2	22 2	0 29 0	0 30 0
Barley, . . .	27 14	28 14	24 5	25 5	21 13	22 13	29 6	30 6	1 4 0	1 6 0
Indian corn, . .	..	..	24 0	25 0	19 0	20 0	26 0	27 0	1 15 0	1 20 0
Bajra, . . .	..	..	18 0	19 0	19 5	20 5	25 0	26 0	0 38 0	1 0 0
Juar, . . .	..	..	22 0	23 0	21 10	22 10	26 0	27 0	1 2 8	1 5 0
Gram, . . .	29 2	30 2	24 1½	25 1	19 8	20 5	27 6	28 6	0 39 0	1 0 0
Moth, . . .	..	..	22 0	23 0	22 8	23 8	25 0	26 0	1 0 0	1 5 0
Urhur, . . .	29 4	30 4	28 14	29 10	19 2	20 2	28 8	29 8	1 5 0	1 6 4
Moong, . . .	17 0	18 0	23 0	24 0	19 0	20 0	21 0	22 0	0 30 0	0 32 0
Mussoori, . .	26 7	27 7	18 13	19 13	18 0	19 0	24 0	25 0	0 34 0	0 35 0
Rice (table), .	9 0	10 0	9 0	10 0	8 0	8 8	9 0	11 0	0 11 0	0 12 0
Rice Urrawah, fine,	11 12	12 12	12 0	13 0	10 0	11 0	11 0	12 0	0 16 0	0 17 0
Rice Urrawah, red,	14 13	15 13	16 0	17 0	12 0	13 0	19 0	20 0	0 22 0	0 24 0
Rice Sailah, fine, .	12 14½	13 14½	14 10	15 10	12 0	12 8	16 0	17 0	0 19 0	0 21 0
Rice Sailah, red, .	15 0	16 0	15 10	16 10	12 12	13 4	17 8	18 8	0 21 0	0 22 0
Rice Bhoojeea, fine,	14 8	15 8	15 10	16 10	12 12	13 0	18 0	19 0	0 22 8	0 23 8
Rice Bhoojeea, red,	15 0	16 0	16 10	17 10	13 8	14 0	19 8	20 0	0 25 0	0 26 0
Dhan (Paddy), .	22 0	24 0	28 0	29 0	21 2	22 2	30 0	31 0	0 37 8	1 2 8
Rice Urrawah, new,	12 13	13 13	15 0	16 0	11 0	11 8	15 0	16 0	0 19 0	0 20 0
Oorrud, . . .	27 11	28 11	21 6½	22 69	18 0	19 0	21 0	22 0	0 32 0	0 33 0

III.—Umritsur.

Grain.		1872.	1873.	1874.	1875.	1876.
		S. C.	S. C.	S. C.	S. C.	S. C.
Wheat, . .	for Re. 1	20 10	23 8	23 8	26 8	23 0
Gram, ...	„	22 8	29 0	30 14	34 8	36 0
Bajra, ...	„	20 8	30 8	26 8	27 8	30 0
Juar, ...	„	18 8	36 4	31 8	31 0	32 0
Makkie or Indian corn,	„	17 12	30 0	29 0	37 0	24 0
Rice (Bastua), . .	„	10 0	9 0	9 0	8 12	8 0
Rice (Bayam), . .	„	14 8	14 8	12 0	12 0	13 0
Rice (Johua), . .	„	13 8	15 0	15 0	13 0	14 0
Mustard-seed, . .	„	10 0	16 8	25 12	32 8	22 0
Moth, ...	„	23 10	35 4	33 8	23 0	38 0
Moongi, ...	„	14 4	29 8	28 0	22 8	29 0
Mash, ...	„	16 8	19 0	23 8	22 8	20 0

IV.—Dacca.

Grain.		1872.		1873.		1874.		1875.		1876.	
		s.	c.	s.	c.	s.	c.	s.	c.	s.	c.
Wheat, . .	for Re. 1	15	$9\frac{1}{2}$	12	4	13	12	15	2	20	0
Attah (rough flour), .	"	...		...		...		...		7	14
Best Rice, . . .	"	18	3	20	8	12	2	19	3	17	10
Common Rice, . .	"	29	4	30	8	16	0	21	12	20	8
Gram, . . .	"	22	13	23	12	24	0	17	12	24	8

V.—Calcutta.

Average Prices of Food-grains in Calcutta on last day in each month, for first six months of each year, 1872 *to* 1876.

Grain.		1872.		1873.		1874.		1875.		1876.	
		s.	c.	s.	c.	s.	c.	s.	c.	s.	c.
Wheat, .	for Re. 1	16	10	13	$1\frac{1}{6}$	12	1	15	$13\frac{1}{3}$	17	$14\frac{2}{5}$
Rice (table), .	"	7	6	8	0	8	$12\frac{1}{3}$	10	$10\frac{2}{3}$	9	$9\frac{1}{5}$
Do. (common), .	"	18	$15\frac{1}{2}$	18	2	11	14	14	$10\frac{2}{3}$	16	$2\frac{4}{5}$
Gram, . .	"	18	1	19	$2\frac{1}{3}$	14	$4\frac{2}{3}$	19	$1\frac{1}{3}$	21	$6\frac{2}{5}$

In every case, it will be observed, prices are lower in 1876 than they were in 1872. Wages have not moved, either up or down.

Our immediate difficulty is with the individual on fixed income, who draws his income abroad, or who has to make payments abroad, and with Government, which likewise has to make payments out of India. The pay of the individual will have to be raised if the supply of labour should not increase. If he does not receive adequate remuneration in India, he will take his labour to a better market. Government and other debtors may turn a deaf ear to the complaints of their creditors, but they cannot carry on their affairs long, successfully, without efficient labour. The necessity will be imposed on Government, and other employers of labour, of procuring some addition to their own incomes. That is one way of meeting the difficulty. The additional income may not be easy to find,

nevertheless it is possible. Government may have to provide both for the payment of higher wages to its servants, and for the greater cost of its foreign expenditure. For the latter it will certainly have to provide. The case of the importing merchant also calls for some consideration, not entirely on account of the interference with his business produced by the unsteadiness of the standard, but because of the effect of this interference on the general interests of the country. I have shown that there has been no falling off in trade, and that, generally speaking, the country is not hurrying to perdition by any means so fast as some would have us believe; but we cannot judge what advancement trade might have made had there been no fluctuations to cause uncertainty in its operations. The importation of goods might have been greater than it has been, and exports would then have been stimulated, not by an artificial enhancement of price, but as the result of their being sought after in a natural manner in exchange for other goods.

If we could, by some magic process, substitute on the instant, for the old silver standard, a new gold standard which should furnish an exact measure of values as they stood before the depreciation of silver, the difficulty would be solved. The differences between the individual creditor and the individual debtor, the State creditor and the State as debtor—all would be reconciled. The importing merchant would go on his way in peace, and would cease to grumble, as he now sometimes is disposed to do, because local production is fostered at his expense. The regret is, that we cannot achieve this instantaneous change of the standard of value, if it is practicable at all, otherwise than by incurring a sacrifice without doubt enormously costly, and which might be ruinous in its results.

The attempt might be made to effect the change by slow means. We might shut off the supply of silver, and let gold take time to come, the rupee being retained meanwhile as an alternative standard; but this course is beset by many difficulties, is open to many objections, and its ultimate success is doubtful. I do not say that gold may not be introduced in this manner, but I question whether the advantages expected to be derived from a gold currency would be such as would compen-

sate for the cost, direct and indirect, of the change. If the regulation of the coinage of silver is to be left to the discretion of the Government of India, then I fear that, constituted as that Government is, it would find great difficulty in regulating the supply of gold and silver with that degree of nicety which would be required to insure the stability of the standard, and at the same time to satisfy fully the requirements of trade. However perfect the constitution of the Indian Government might be made, according to human experience of perfection, I do not think the Government would be equal to the task. And the circumstances of India render it highly unadvisable that such a measure should be attempted. The country is of vast magnitude, and the medium through which its internal trade is carried on—to such extent as the medium is a metallic one, which means to a very large extent—consists entirely of silver. Gold is not unknown to the people of India, but it has always been with them a currency of luxury and ornament, rather than of everyday use. The regulation of the coinage of silver in European countries is quite a different matter. In England the silver currency takes its value from gold: in France, where each has the same circulating value as the other, and where both gold and silver are abundant, notes are preferred to either. In some countries of Europe the currency consists of little else but paper. India possesses a very efficient system of *hoondee* currency, through the agency of which inter-provincial and inter-urban transactions are carried on; but, as previously stated, notes perform a very subordinate service in the currency of India. In all local transactions beyond the limits of a few chief towns, and in the rural districts especially, coin alone is of any use; and the coin which is best adapted to the great majority of internal transactions is the silver rupee. So long as silver is so extensively employed as it is internally, it must be very difficult to supersede it by another standard, which is the object aimed at by shutting off the supplies of silver. If silver be excluded, the exclusion would entail great hardship. There would be silver in plenty outside our doors and scarcity within. Could Government, under such circumstances, take upon itself the responsibility of refusing to admit silver? I should fear as

much for the consequences of such a refusal to the peace of the country as for the result to trade. But if silver were admitted to such extent as trade would require and might demand, gold would be excluded, for the cheaper metal would be preferred. There is reason to apprehend that any restriction placed on the coinage of silver at the present time would be productive of very harmful results. It is a mistake to suppose that there is now a superabundance of the circulating medium in India. The very opposite is the case. The process and influences through which the medium is being exhausted, I have endeavoured to describe. The present low level of prices appears to lend support to the views expressed on this point, and a further contraction of the currency would reduce them to a lower level still. It will be seen, therefore, that this mode of changing the standard, or of maintaining the old standard, is of questionable expediency, and that its success also is doubtful. If it did happen to be successful, we might find, after all was done, that the change had been a mistake.

A simpler plan is that of adding as much silver to the rupee as the rupee has lost in value; but to this step also there are many objections, and in its way many difficulties. It would not occasion so great a deficiency of currency as an attempt to change the standard from silver to gold, and would therefore not exercise quite so great an influence on prices as that measure; but some effect on prices it certainly would have. It would also raise the value of all debts, the Government debt included, in favour of the creditor and against the debtor; and it has to be kept in view that, in the majority of cases, the assets of the debtor who possesses other property than that which takes its value from silver, have not increased in money-value, for prices have not yet experienced a general rise. Then there would have to be taken into consideration the work of recoinage, and the inconvenience of having coins of the same denomination but of different values in circulation at the same time. It would be necessary to declare the old rupee worth 12 annas only of the new standard coin. The same end might apparently be accomplished by adding an amount equal to the depreciation to the monetary value of all existing debts and

engagements; but to do so now would involve injustice, and be premature, because other things, with the exception of gold, have not appreciated in relation to silver in the same degree in which silver has depreciated in relation to gold. And if the time to adopt such a course had come, a question would arise as to the legality of compelling the debtor to pay his creditor a larger amount of silver than he had contracted to pay. One view of this question has been stated. The creditor's case would be that he had lent a certain measure of value, and expected the same measure to be returned to him. He would urge that the currency medium is but the emblem of material wealth; that it is not so much gold or so much silver—the weight and purity only guaranteed by the State—but the embodiment of all other values. If, however, the public have lost sight of the fact that currency has an independent value, and that the value is not exempt from variation, the fault is nobody's but their own. The cost of adding to the amount of silver in the rupee would depend on what might be decided to be the extent of the depreciation. If silver remained at its present price of 48 pence, the cost would be enormous, and would equal, if not exceed, that of introducing gold, without, however, causing the same disturbance to trade. If the value of silver should rise to any great extent, there might not be much occasion for doing anything.

On a review of all the facts, I strongly incline to the opinion that the wisest course is to refrain from any attempt to carry into execution an immediate radical reform of the currency, and that our remedies should be adapted to pressing necessities only. In the first place, a change of standard, in the present relative positions of silver and gold, is very nearly impracticable, and if practicable, it would be exceedingly expensive. Moreover, it is not at all certain that the change would be a wise one, having regard either to the circumstances of India or to the future of silver. Of the circumstances of India sufficient has been said. Of the future of silver it is impossible to speak with the same certainty. The telegraph informs us that one of the causes to which the Select Committee which has been investigating the matter in England, attributes the present

depreciation, is "the enormous production of the mines in America." The increase from that source, therefore, we must accept as a fact. It may be so great as to cause a permanent depreciation of the value of silver, but the depreciation may not extend so low as to make silver useless as currency or to serve as a standard of value. If the United States and France should decide upon a single standard of gold, then silver would depreciate so much as to render it unfit to remain the measure of values in India. More, in my estimation, depends on the action of those two countries than on anything else. If they elect to have gold, we must have gold too, let the cost be what it may. Whichever country takes the initiative, the others must follow, and the three would be competing for gold together. I have not much faith in the unselfishness of nations any more than in that of individuals. Each country will be guided by what it considers to be for its own advantage without much regard for the consequences to its neighbours; but here, what is for the common good is likewise for the good of each one concerned. That the Governments of India, France, and America should agree upon a common course of action is highly desirable in the interests of each. If nations were influenced by considerations extending beyond their own immediate interests, I might go further and say that the world at large would lose by the general demonetisation of silver, and that, with the object of averting such a calamity, the agreement for concerted action might be so extended as to embrace all the nations of Europe, or at any rate all those which have not a single gold standard.

In the meantime, the Government of India must do something to meet immediately pressing necessities. Leaving the private creditor to settle with the private debtor; the individual employer of labour and the employed to arrange matters between them; and trade values to adjust themselves, as they will do in a natural way if left alone,—let us concentrate our attention, for an instant, on the position of Government. Government must provide at once for the increased cost of its payments in England, and may also possibly deem it politic, as well as just, to offer some manner of compensation to those of its servants who

suffer loss on remittances made, *bonâ fide*, for the support of their families at home. Beyond this I do not think the Government of India could now venture, with prudence. Next Budget may show a deficit—so much is nearly certain; but the means to meet it may, I believe, be found by the exercise of rigorous economy in expenditure. Should the saving which may be effected under some heads of expenditure not suffice to cover the excess under others, the difference may be taken from the Government's overgrown cash balances, which now amount to 17 millions sterling, exclusive of the sum in the hands of the Secretary of State in England. Taxation should be avoided under present circumstances, or, if unavoidable, be imposed with the greatest discrimination. Industrial and commercial agencies should be crippled as little as possible. Ultimately, if silver remains depreciated, prices must rise all round, and then Government will have to revise a portion of its rent-roll, a step which Government would have been compelled to take had no depreciation occurred. But if prices are to rise in the same proportion as that in which silver has fallen, which it is most desirable, on many accounts, they should do, the Secretary of State's drawings must be *permanently* cut down. The effect of those drawings on the currency has been fully considered already. If silver, on the other hand, recovers its old position in relation to gold, then the loss on the home payments will disappear. No new provision will be necessary either for them or for compensating the servants of Government for loss on their home remittances. More cheering still: Government will not have to look forward to any increase of the amount of its general expenditure in India, which it must have prepared to face if the depreciation continued.

We have yet to witness the effect, if the depreciation of silver lasts, of the addition to the volume of currency which must follow a rise of prices in silver-using States. The effect may, not improbably, be to restore silver to its old position, if not to make it scarce. I confess to a slight predilection in favour of M. Cernuschi's plan for a permissive standard of gold and silver. There is, however, much to be said on the opposite side, and in support of an universal uniform standard of gold. But, again, if

the production of gold is expected to increase in any large degree, the chances of a restoration of the relative value which formerly subsisted between the metals become so much the greater. In prospect of such an event, India, and other countries which have a silver standard, might do better by waiting than by selling their old medium now and buying new.

I have said there are some considerations which might lead to the supposition that gold may become too plentiful. It seems not at all impossible that both gold and silver may, at some period in the distant future, fall so far in value as to become too bulky for purposes of exchange, and so drop out of use as currency. The fall may be sudden, or it may be gradual. Gold, being many times more valuable than silver, has a long way to fall before it becomes too cumbrous as a medium of exchange: many old countries are poorly supplied with it, and some new ones—new in the sense of their resources being undeveloped—remain to be opened up. Against these considerations, however, we have to take into account the extending knowledge of the means of economising the capital employed in providing a currency medium. We have also to consider that part of the unexplored resources of new countries may consist of gold. Both Asia and Africa are known to contain gold. Production may, therefore, grow more rapidly than the capacity of new countries to take off the excess. As the variable character of the precious metals declares itself more openly, people will evince less disposition to trust them as the measure of wealth, and this tendency will precipitate their fall. Gold may continue to be loved a little for its own sake, not for what it falsely may represent itself to be, but it will not be valued so highly as before. The periods for which contracts are entered into in currency will be shortened, and there will be a greater craving than ever after land, the only thing in this world of which the quantity is absolutely fixed and ascertainable, and for which the demand is sure to remain constant.

The era of an ideal medium of exchange may be nearer than we suppose. If the precious metals were not used in internal currency, they would not be employed in the settlement of international balances. The balance of the indebtedness of one

country to another would be adjusted by the supply of commodities produced in the indebted country, or in some third, or fourth, or fifth country, of which the indebted country was, or had indirectly become, the creditor. The balance would be adjusted by something of everything. Why, then, should metals be used for internal transactions? Why not have an imaginary unit? The difficulty is to give this unit expression, and make it circulate from hand to hand. The only solution which I am able to perceive is to have a Government currency based upon land. A commodity would then be valued at, say, so many square feet of land, or one foot, or the fraction of a foot; or the unit might be some other quantity, and be known by some other appellation, which would be accepted for universal use. The value of the currency would, in each case, depend on the prosperity, good faith, and security of the country which issued it. The value of the whole area of the soil of any country is, perhaps, the best measure of its wealth, and therefore of its currency requirements. But does not a scheme of this nature presuppose State ownership of the land? If so, then the time has not yet come for such a change.

J. HECTOR.

CALCUTTA, 1*st August* 1876.

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